# FINANCIAL TIMES

TUESDAY AUGUST 30 1994

#### **Euro Disney asks** watchdog to probe share price slide

Euro Disney, the troubled leisure group, is to ask the Paris stock market to investigate the recent fall in its shares, which yesterday were twice suspended after plunging to a record low. The group, which recently concluded negotiations with its banks for a FFr13bn (\$2.4bn) financial rescue, saw its shares end the day 11.6 per cent down at FFr8.40, having fallen to FFr7.75 during the morning. Page 20

hrax buys Zenith in \$600m deal: Ivax, a generic drugs manufacturer based in Miami, announced the purchase of rival drug maker Zenith Laboratories in an all-stock deal valued at nearly \$600m. Page 17

SPD challenges Kohl: Germany's opposition Social Democratic party, trailing in the polls, tried to recover lost momentum by presenting a new tri-umvirate with which they hope to derail Chancellor Helmut Kohl's bid for a fourth term at the October general elections. Page 16

Serbian leaders ignore referendum: With diplomatic efforts under way to broker an agreement on supervision of Serbia's borders with Bosnia, Serbian leaders pointedly ignored a Bosnian Serb vote to reject a UN-backed partition of Bosnia.

Banks to gain £100m from shares sale: A syndicate of 28 international banks which acquired convertible preference shares in international advertising group WPP as part of a \$271.6m debt-for equity swap two years ago, is expected to make a profit of around £100m (\$155m) when the shares are

Riyach boycotts population talks: Saudi Arabia, one of the world's most strictly Islamic states, has decided not to send a delegation to next week's United Nations Conference on Population and Development. Page 3

Upturn at Swedish construction group: NCC, Sweden's second largest construction group, reported a strong upturn in underlying performance even though conditions in its home market worsened. Excluding one-off gains from share sales, the group swung to a SKr106m (\$13.7m) profit from a SKr170m loss. Page 19

MAN upbeat despite earnings drop: German engineering and commercial vehicles group MAN claimed to have ridden out the recession in spite of a 30 per cent drop in annual net earnings to DM160m (\$98.7m). Page 18

Danish PM calls elections Danish prime minister Poul Nyrup Rasmussen called a general election for September 21 despite an opinion poll showing that two of the four parties in his centre-left majority coalition face elimination. Page 2

Lloyd's seeks up to £250m: Lloyd's of London is expecting to raise between £125m and £250m to help offset a decline in capital supplied by Names, the individuals whose assets have traditionally supported the insurance market. Page 17

Recovery at Groupe Bull: Troubled French computer manufacturer Groupe Bull will show an operating profit at the end of this financial year.

South African miners agree pay deal: South Africa's 200,000 gold and coal miners agreed on an average 9.75 per cent wage settlement. Page 3

Disclosure plan for unit trust sales: UK companies which sell unit trusts are to be required to give more information about the products and about their fees. Page 21

**Doctors oppose pay changes:** Doctors will step up opposition to proposals for performance related pay in the UK National Health Service at a special conference in London tomorrow. Page 5

Private funding sought for telecoms: The private sector should take the lead in funding the telecommunications networks of the future, EU industry commissioner Martin Bangemann said. Bond market turmoil hits Skandia: Turmoil

in international bond markets helped push Swedish insurer Skandia to a first half loss of SKr2.40bo (\$322.9m) from a SKrl.66bn profit at the management operating level. Page 19

UK boom in mobile phones: Mobile phones are enjoying such a boom in the UK that new cellular phone connections are racing ahead of connections to traditional fixed phone networks. Page 5

Poland expects investment boost: Poland expects to see private investment inflows worth "well over \$1bn a year" in the wake of its commercial debt reduction agreement, Grzegorz Kolodko, the country's deputy premier and finance minister

Hospitality plan for Royal yacht: Two government departments are pressing for the Brit-ish royal family to have a new yacht to replace Bri-tannia only if big companies are prepared to use it for corporate entertaining. Page 5

STOCK MARKET INDICES	M STERLING
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#### Acquisition of Sterling Health creates world's biggest consumer drugs group

the world's biggest consumer

The deal, announced vesterday brings Sterling Health's big-selling brands such as Panadol and Andrews together with Smith-Kline's Eno and Tums.

It is the largest acquisition yet in over-the-counter (OTC) drugs and doubles London-based SB's annual OTC sales to more than \$2bn. SB will pay cash, funding the acquisition through bank borrowings and commercial paper. The deal is SB's second multibillion dollar acquisition since Mr Jan Leschly became chief

fled Pharmaceuticals Services, a US drugs distributor.

ers and gastro-intestinal remeence in more than 100 countries.

There has been a series of mergers and takeovers in the healthcare industry involving many of the largest companies such as Eli Lilly and Merck of the US and Switzerland's Roche. The industry's consolidation is a response to pressure from customers - employers who pay health insurance premiums in - to cut healthcare

Sterling Health made a profit of \$162.4m on sales of \$1.006m in 1993 and had net assets of \$372.1m at the end of last year. A provision in SB's accounts of about £500m will be made to

A dose of OTC medicine for growth strategy......Page 17 Bayer to pursue control of US brand. Page 18

year, but should fall by 1996 as SB sells off its non-strategic busi-nesses, said Mr Hugh Collum, the

company's finance director. Kodak could raise almost \$4.6bn from this sale and the planned sale of Sterling's prescription business to Sanofi for nearly \$1.7bm.

The company said it hoped to complete the Sanofi deal early in the third quarter of calender year 1994, with the SB transaction being closed in the fourth.

The cash will be used to reduce Kodak's \$6.4bn debt. The company is also in talks to sell L&F Products for an estimated \$2bn. L&F is a do-it-yourself products company with sales last year of ibn. Kodak also wants to sell its clinical diagnostics business which had 1993 sales of around \$700m - for which it could expect nore than \$1bn. In morning New York share trading, SB rose \$% to \$35. Shares in Kodak rose \$1%

PLO representatives, protesting at Israel's refusal on Sunday to

enter the Gaza Strip. The diplo-

mat had intended to prepare the rate rise, Page 3

allow a Pakistani diplomat to planned trip. Israel breaks pat-

sions with Eastman Kodak over Sterling Health for about four years. But it was only in May this year that Eastman Kodak declared its intention to sell its healthcare operations. The sale to Elf Sanofi, its European partner, came the following month.

Further deals are likely in the sector. Shares in Marion Merrell Dow, the drugs company which is 72 per cent owned by Dow Chemical, climbed 8 per cent yesterday morning on news that it had retained Lehman Brothers to advise it on a number of options, including "potential business combinations'

In a separate deal, Ivax. a diversified healthcare group, said it would acquire Zenith Laboratories in an all-stock transaction. Between them, the two companies had sales last year of \$570m.

### Moscow **battles** farmers over grain prices

A battle over grain prices is growing between the Russian government and farmers as this year's grain harvest draws to a close. Officials yesterday forecast that the harvest would reach between 90m and 100m tonnes.

For the first time since the collectivisation of Russian agriculture the government is buying grain from its own producers at market rates rather than at a state price established in the

spring.

But grain producers - who complain that food distributors and processors have monopoly control over regional markets are balking at what they com-plain are prohibitively low prices and warn that impoverished farms may be unable to bring in the harvest in some regions.

Mr Nikolai Rybakov, a man-ager at Roskhlebprodukt, the state grain purchaser which was transformed into a joint stock company last year, said yester-day that the government had bought about 2m tonnes of grain so far, just half of the amount the state had bought by the end of August last year.

Roskhlebprodukt's granaries are not filling up at their usual rate because farmers are lobbying to persuade the government to buy their grain at the "indicative price" of between 200,000 and 220,000 roubles (\$93 and \$102) a tonne agreed by the regional government officials and producers in the spring. But Roskhlebprodukt is, for the first time, trying. to operate like a private company, rather than a link in a cen-tralised chain. "We look at the rates in

regional commodities markets and then we decide what price to pay farmers," Mr Rybakov said. He said that Roskhlebprodukt had been paying between 90,000 and 180,000 roubles a tonne of grain, "but we cannot pay farmers more than the world prices". Some regional authorities warn that Moscow's financial austerity could jeopardise the harvest.

Officials in the east of the

country said that because of a shortage of fuel and spare parts Continued on Page 16

# SmithKline in \$2.9bn US deal

By Daniel Green and Richard Waters

SmithKline Beecham is creating drugs business by buying Ster-ling Health from Eastman Kodak of the US for \$2.925bn.

executive in April. The following month it paid \$2.3bn for Diversi-

Chinese

crackdown

to protect

copyright

Sega games

Chinese authorities have ordered

an electronics company in the

south of the country to stop mak-

ing video games machines with

programmes identical to those

marketed by Sega Enterprises of

The victory for Sonic the

Hedgehog and other Sega charac-

ters represents what is believed

to be the first Chinese adminis-trative measure against a local

nanufacturer over infringement

of a foreign computer company's

It comes not long after a Bei-

Mickey Mouse could not be used

without the US Walt Disney

entertainment group's permis

China's National Copyright

Administration has ordered the

Shenzhen Shenchu Electronic

Equipment Factory (Shenchu) immediately to stop manufactur-

ing and selling game consoles

with game programmes which it ruled infringe Sega's copyright. Shenchu has also been ordered

to deliver all offending games

cards to the government authority, and a fine of Yuan 30,000

News of the crackdown also

coincides with a visit to Beijing

of a US trade mission by Mr Ron

Sega filed a suit against Shen-

chu in May and an investigation

by Chinese authorities found that 15 out of 20 games incorporated

in Shenchu's machines were

identical to games developed and

manufactured by Sega.

The investigation led the Chi-

nese earlier this month to deter-mine that Sega's game cards should be protected as computer

software under the country's

The move comes as China is

under increasing pressure from the international community to

enforce its copyright laws.
The US has urged the Chinese

government to take action against audio and video software

copyright laws.

Brown, the commerce secretary.

(\$3,520) has been imposed.

SB and Sterling Health have fought over markets in pain-kill-

dies for many years, largely in the US, UK and Germany where SB has 70 per cent of its OTC sales. This deal gives SB a pres-"We are going to become the major healthcare company in the world," said Mr Leschly, yester-

the US and governments else-

cover the costs of restructuring and rationalising the combined

Gearing, net debt as a percent-age of shareholders' funds, will rise from less than 60 per cent to 300 per cent by the end of this

# West Bank agreement is signed



Israeli Major General Danny Rothschild (left) and Nabil Shaath, the chief Palesttne Liberation Organisation negotiator. pocket their pens yesterday after signing an accord transferring the control of education, taxation, health, welfare and tourism affairs in the occupied West

Bank to Palestinian hands. The deal is the most important step in the Israeli-PLO autonomy process since self-rule for the Palestinians of Gaza and Jericho

came into effect four months ago. The transfer of the education system has already been completed, in advance of the start of the new school year.

At the signing, at the Erez crossing point between Israel and the Gaza Strip. Mr Sha'ath said the accord "proves that the peace process continues, that it will not stop at Gaza and Jericho, that it will go through the West Bank...that it is implementable." The ceremony was

# Fish stir up sea of diplomatic troubles

Ten Taiwanese fishing vessels impounded by Indonesia, British fishing nets slashed in the Bay of Biscay, Japanese fishermen shot at by a Russian gunboat, and an Icelandic trawler and Norwegian coastguard vessel exchanging fire in the past month, fish have become an increasing cause of

meeting reached no consensus.

odds with one another over

declining stocks. Fishing boats

have ventured into new territory in the search for stocks, and are

creating diplomatic disputes.

pirates, and Beijing's willingness dinlomatic incidents. to pursue those who breach copy-right coincides with its campaign for readmission to the General A United Nations conference over the last two weeks in New York was intended to end disputes over migratory species. The participants were said to have agreed "overwhelmingly" that a Agreements on Tariffs and Trade, which it left more than 40 years Sega welcomed the Chinese pact was needed to end conflict decision which, it said, would be among member nations, but the

not to launch marketing operations in China, where infringement of its copyright has been rampant. While reluctant to market its games, the company already manufactures video games consoles in China for export mar-

helpful in considering whether or

US seals contracts for £200m, Page 16 new technology that has allowed

fishing vessels to locate schools of fish, and improved winches and net materials which have

increased efficiency.

The UN Food and Agriculture Organisation estimates that worldwide catches rose more than fourfold in the four decades to 1990, but governments say there are signs of decline.

Fishing communities are also under threat. In Spain, Basque fishermen warn that there "could be deaths and sinkings" unless European Union fisheries ministers agree to ban drift-nets at their meeting in Brussels on September 28.

From Thursday, tuna caught by traditional lines in Spanish waters will have a green alumin-The conference came as fishing nations have been increasingly at ium logo clipped on the tail, dis-tinguishing them from fish caught in drift-nets. And the New Zealand government will this week attempt to settle a dispute with environmentalists over new regulations that give fishing com-Environmental groups are panies more say in establishing painting a grim picture of sustainable quotas.

Fleets fight in over-fished

# "Id like a couple of raincoats pressed in an hour.

prime minister Benazir Bhutto. She has since cancelled the

tern with 1.5 per cent interest



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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Serb vote

After a marathon meeting lasting until early yesterday morning with President Slobodan Milosevic of Serbia, Mr Andrei Kozyrev, Russia's foreign minister, continued a diplomatic tour of former Yugoslavia, and met leaders of the Moslem-led Bosnian govern-

The Belgrade meeting remained shrouded in secrecy yesterday but diplomats believe Mr Milosevic was trying to see what concessions he could wring from Russia and the West in exchange for stationing monitors on the frontier with Bosnia. Serbia imposed economic sanctions on the Bosnian Serbs earlier this month for their refusal to

endorse a peace plan. They believe the international community is keen to give the impression that Mr Milosevic is not under international pressure to put monitors on the border. This would ease nationalists' charges about betraying their kith and kin in

The contact group - Russia. the US, Germany, France and the UK - is hoping that Mr Milosevic will tighten the noose round the Bosnian Serbs. But reports that he had proposed monitors on Bosnia's frontiers with Croatia too were dismissed as a "non-

The US has threatened to lift its embargo on arms sales to the warring parties in Bosnia if Bosnian Serbs continue to block the neace plan, but the Bosnian Moslem government has been bolstering its army with weapons smuggled through Croatia.

Mr Milosevic's resolve to punish Bosnian Serb leaders may harden after referendum results from Serb areas in Bosnia yesterday, which showed that the partition maps proposed by the contact group had been overwhelmingly rejected.

The results of the poll - dismissed as irrelevant by peace mediators – came as no surprise. While diplomats admit that the referendum may further entrench the Bosnian Serb leadership, they say it will have little impact on the peace

More than 90 per cent of Bosnian Serb voters rejected the maps which divide the wartorn country roughly in half, said Mr Petko Cancar, head of the referendum commission.

The Financial Times

plans to publish a

Survey on

Tyne &

Wear

on Tuesday,

October 11.

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FT Surveys

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Bangemann appeals for more competition

# EU plea for private to the polls telecom funding

The private sector - not the public sector - should take the lead in funding the telecommunications networks of the future, Mr Martin Bangemann, EU industry commissioner,

said vesterday.

In a speech to the 13th World Computer Congress in Hamburg. Mr Bangemann said there was no need for extra public sector funding: but he warned that private companies and consortia had to be given the chance to compete on an equal footing.

This meant breaking up long distance telephone monoplies, and linking existing networks as fast as possible so as to achieve the lower tariffs vital for creating the new information society.

"The only way to get lower tariffs is through competition," he told delegates.

Mr Bangemann's crusading tone comes amid pressure from Brussels to liberalise the supply of telecommunications infrastructure across the European Union, despite continued opposition from national telecoms operators fighting the loss of their monopolies.

Mobile, satellite and other business-related services are already open to competition. EU governments have also agreed to set a target date of 1998 for the opening of compe-tition in basic "voice services"



Martin Bangemann: call for network extensions

which account for most of the revenue of telcoms operators.

But the question of competing infrastructure, as permitted in the UK, has been left for decision in 1995 with no prior commitment to liberalise. Mr Bangemann's speech yesterday suggests further pressure from the Commission to bring forward the decision and secure a commitment to infrastructure competition from member

The speech comes as the European Commission is put-ting final touches to a new document on EU industrial policy in the 1990s. The document is likely to be measured against the strategy for industrial policy set out by Mr Bangemann

doned "vertical" policies in favour of channelling aid to particular sectors. Instead, it promoted "horizontal" spending on training, infrastructure and research - the idea being to bolster competitiveness and benefit the whole European economy rather than championing individual industries.

In his speech, Mr Bange mann said industrial policy should not only cover the techrow. New technologies could – and should - be adapted to tackle today's problems. He cited the use of computer-

ised traffic management systems; introduction of modern diagnostic equipment which could offer early warn ing systems registering air pol-lution; and use of information networks such as "telemedi-

Mr Bangemann called for an extension of telecom networks to pave the way for multi-media services such as teleshop ping, telebanking and tele-

But he also said it was important to strengthen data protection and copyright. EU leaders at the Corfu summit last June agreed that the Com-mission should establish a regulatory framework to cover access to markets, compatabil-

# Danes to go next month

By Hillary Barnes in Copenhagen

Prime Minister Poul Nyrup Rasmussen yesterday called a general election to the Polketing for September 21, break-ing with tradition by choosing a Wednesday rather than a Tuesday for the vote.

Mr Rasmussen, leader of the Social Democratic party, made his announcement despite a Gallup poll yesterday that showed two of the four parties in his centre-left majority coalition face elimination from the Folketing.

"A Gallup poll is not the same as an election," he said.
He hoped to be able to continue in office at the head of the present government, which besides his own party includes the Radical Liberals, the Centre Democrats and the Christian People's Party. The latter two parties risk

failing to qualify for Folketing seats by attracting less than 2 per cent of the vote. If the election result reflects the opinion polls, the next par-

liament will be sharply divided between the left and right because of the weakened small centre parties. Mr Rasmussen however, has a good chance of staying at the head of a minority govern-

ment of Social Democrats and Radicals, but this government would have to rely on the sup-People's party. Together, these three parties scored 52 per cent in yesterday's Gallup,

with the Social Democrats at 33.5 per cent compared with 37.4 per cent in the 1991 election, the Radicals at 4.8 per cent compared with 3.5 per cent and the Socialist People's party moving ahead to 11.1

per cent from 8.3 per cent. Mr Uffe Ellemann-Jensen leader of the Liberal party and the leading caudidate to become prime minister in a non-Socialist coalition, welcomed the Gallup. "People can see the risk they run of getting a red cabinet." he said.

The Liberals are beading for a strong result, with Gallup showing them at 23.1 per cent against 15.8 per cent in 1991. The Liberal party and the Conservative party, led by Mr Hans Engell, the former minis-ter of justice, hope to form a coalition on the basis of support from the right-wing populist Progress party.

Mr Rasmussen's coalition took office (without election)

in January 1993, after just over 10 years of rule by Con-servative-Liberal coalitions under Conservative leader Mr Poul Schluter, who resigned refugees. Mr Rasmussen's government has implemented a strongly expansive fiscal policy this year to kick-start the

Mr Rasmussen said the election campaign would focus on the welfare state, which his own party wished to maintain and improve, while the right aims to cut government



Mr Rasmussen announcing the election yesterday: 'A Gallup poll is not the same as an election

# Poland expects debt deal to boost investment

Poland expects to see private investment inflows worth "well over \$1bn (£600m) a year" in the wake of its commercial debt reduction agreement due to be completed this month, Mr Grzegorz Kolodko,

the country's deputy premier and finance minister said yesterday. Mr Kolodko was speaking after Poland had received the final assents needed from 600 holders of the country's \$14bn of commercial debt for the reement to go ahead. "Last Friday the last major holder agreed to the buy-back component," Mr Kolodko said. This meant the debt reduction would amount to 49.5 per cent.

Poland's net foreign debt stood at \$44bn. The country's debt to western governments grouped in the Paris Club was cut by 50 per cent in a 1991 agreement.

external credit situation since 1980 when the debt crisis first hit us and now we are returning to normal financial relations," Mr Kolodko said.

The agreement, which is due to be signed in Warsaw on September 14, means that the country's \$14bn commercial debt will be cut by \$6.60n with another \$2.4bn worth being bought back by the Poles at a rate of 41 cents to the dollar. The rest of the debt will be exchanged into 30-year par and discount bonds worth a total of

against the sum of around \$900m deposited in the US Federal Reserve in US treasury bonds which will be used to

\$1.3bn worth of loans from the IMF and the World Bank with the balance coming from the

reserves. Interest payments next year will cost \$368m while the agreement, which is more generous to the Poles than originally thought because of the high buy-back component, will cost an average of \$450m annually in interest payments over the next 30 years.

As late as mid-July the Poles only had the assent of 92 per cent of holders of the debt, while 95 per cent was needed for the key buy-back component to be implemented. One major creditor, believed to be the Dart family of Florida in the USA, who holds \$600m or 7 per cent of the debt, was then refusing to accept the reduction deal.

"We explained to them that debt negotiator said yesterday, without confirming the identity of the creditor.

WORLD NEWS DIGEST

# US probe into aluminium pact

The US Justice Department is investigating whether a worldwide agreement last January to cut production of aluminium may have led to violations of anti-trust law by the aluminium industry. The US Aluminium Association said it had received formal notice of an investigation into possible anti-trust violations stemming from the agreement to restrict production of primary aluminium. US aluminium producers have got similar notices.

Ironically, the US government was one of the parties to the January agreement, which also involved Russia, the European Union, Canada, Norway and Australia, and was one of the teenest advocates of production restrictions to deal with a glut of aluminium on the world market. The agreement came in response to a flood of exports of primary aluminium from Russia, which had previously used most of its output for

domestic military purposes. At the January meeting Russia agreed to cut production by 500,000 tonnes, or about 15 per cent, for two years, while western producers were expected to make voluntary cuts totalling around 1m tonnes. The Aluminum Association said it would co-operate fully with the prope and was "confident that the association's programmes have been conducted in compliance with anti-trust law." George Graham, Washington

#### Albania presses on with trial

Albanian prosecutors yesterday demanded jail terms of between seven and nine years for five ethnic Greeks accused of spying for Athens. If they are convicted, it could put Albania on a collision course with Athens, which has already deported thousands of illegal Albanian immigrants from Greece in retaliation for what it calls a political trial. The Albanian government said Greece had deported 26,000 illegal Albanian immigrants since August 15 and Albanians living pear the southern border with Greece said Athens had also

tightened land and sea frontier controls. The five accused, all members of the ethnic Greek organisation Omonia, based in southern Albania, were arrested in April following a raid on a military camp close to the Greek border. Two Albanian conscripts were killed. Tirana blamed Greece for the raid but Athens denied the charge. "They have all committed the crime of serving the Greek secret service." the prosecutor alleged. The prosecutor said the men were found in possession of illegal weapons with the intention of arming the minority "at a certain time according to orders". The trial has rekindled deep-seated tensions between Albania and Greece, which accuses Tirana of mistreating its Greek minority, estimated by Athens at 300,000 and by Tirana at 60,000. Reuter, Tirana

#### Russian crew looks for escape

Crew members of a Russian ship stranded in a Ukrainian port for six months have run out of food and soon will have no choice but to try to outrun the Ukrainian coast guard, the ship's captain said yesterday. The Russian ship Modul was detained by Ukrainian authorities at the Crimean port of Evpatoria. It has a cargo of 60 tonnes of Ukrainian ammunition for Angola. But the Ukrainian suppliers wanted the delivery stopped as they had not received payment from Angola. "If Moscow and Kiev do not help the Russian sailors, my crew will only have one option: to try to break past the border and outrun the Ukrainian coast-guard," Captain Leonid Volfovsky told a Russian news agency. He said a Russian official had come on board to try to resolve the dispute. One solution might be to load the contested cargo on to another Russian ship.Chrystia Freeland, Moscow

#### Ukrainian bid to fight crime

Ukraine's president Leonid Kuchma this week moved again to fight crime, with a decree consolidating the country's disparate security services. With crime heading the domestic political agenda, his latest step addresses public concern over what calls the "mafialsation of Ukraine", but carries a poten tially high cost in the centralisation of police powers. After authorising police to detain suspects for 30 days without charge last month, Mr Kuchma at the weekend said the general prosecutor, the interior ministry and the security service, heir to the KGB, were to join forces on "the most difficult cases of crimes in financial and banking services. trade and those committed by public servants". The move aims to stem the spread of organised crime, but observers are worried that, by centralising investigative efforts in a manner reminiscent of the Soviet period, corruption could be entrenched at high levels, including within agencies charged with fighting it. Matthew Kaminski, Kiev

#### Australian trade deficit widens

The Australian current account deficit widened to a seasonally adjusted A\$1.84bn (£887m) in July, the largest monthly deficit since March 1993 and at the upper end of market expectations. The revised deficit for June was A\$1.52bn. The figure caused mild concern in financial markets, where the Australian dollar closed weaker against the US currency. There have been persistent worries that the country's strong economic recovery, which has been driven by domestic demand, coupled with the very slow upturn in business investment, could pose problems on the balance of payments front. If investment starts to surge all at once, it is argued, imports of plant and equipment will be sucked in, giving rise to mounting trade deficits. In addition, some analysts are concerned that the current drought, affecting parts of Queensland and much of New South Wales, will depress agricultural exports, com-pounding this problem. However, Mr Paul Keating, the prime minister, said yesterday that he believed structural changes which had made the economy more competitive should prevent a big current account problem. "The Treasury expects some increase in the deficit this year." he said, "but unlike some episodes in the past, the increase is expected to be limited." Nikki Tait, Sydney

#### Malaysia acts against sect

The Malaysian government has made further moves against an Islamic sect it accuses of trying to destabilise the country. According to government edicts published at the weeken anyone actively involved with Al Arqam, a sect which claims 100,000 followers in Malaysia and many more in surrounding countries, is liable to arrest, flogging and imprisonment. Earlier this month, Malaysia's national Fatwa council, the body that rules on Islamic orthodoxy, said Al Argam teachings were deviationist. More than 30 of the sect's followers were arrested over the weekend. Malaysian non-government organisations and the country's bar council have expressed concern that the government's moves violate human rights. Brokers said that a drop of more than 2 per cent on the Kuala Lumpur stock market on Friday was due to general nervousness about the government's actions against Al Arqam. The market was stable yesterday in lacklustre trading. Kieron Cooke, Singapore

. 555

#### Incomes on the rise in US

Personal incomes in the US rose a seasonally adjusted 0.5 per cent in July, the sixth straight monthly increase, outstripping the 0.2 per cent increase in consumer spending, the Commerce Department reported yesterday. Income after taxes also rose 0.5 per cent. The increases follow a rise of 0.1 per cent in June income and disposable income. Personal consumption expenditures (PCE) increased by 0.2 per cent in July, coming after a revised 0.5 per cent rise the previous month. The July figures for income and spending were generally in line with analysts' forecasts and show the economy is growing at a moderate pace. The savings rate, which represents savings as a percentage of disposable income, rose to 4.1 per cent in July from 3.7 per cent in June. Wages and salaries, a component of income closely watched by the markets for signs of inflationary pressure, also rose 0.5 per cent. The PCE deflator ind sure, also rose to per cent. The For dender index, an inflation measure, rose to 129.7 in July from 129.2 in June. James Harding, Washington

#### they had no option but to join the agreement and they redeem the Polish government of the commercial debt stock. paper once it falls due in Octo-Overall at the end of April assented last Friday without The \$1.9bn initial cost of the any additional conditions," Mr Krzysztof Krowacki, the Polish agreement is to be financed by

Polish police crack down on TV

Polish police yesterday closed down six unlicensed television stations belonging to a chain controlled by Mr Nicola Grauso, a media owner from Sardinia. The crackdown on the stations in six cities including Warsaw - which had been broadcasting on frequencies

get either a national or regional broadcast licence in allocations earlier this year. The Polonia 1 network of 12 regional TV stations had continued to broadcast a popular diet of soan operas and films in defiance of broadcast legisla-

tion passed last year. A justice ministry official said police closed those stations broadcasting on frequen-

eight, including one not owned by Mr Grauso, would also be shut down shortly. Police officers and prosecutors visited the illegal stations, ordering that they be closed

but stressed that a further

and in cases of no compliance they turned the equipment off themselves." the official said. Mr Grauso also owns the Zycie Warszawy daily newspaper and says he has invested in

excess of \$20m in Poland. The network claims a 30 per cent share of the audience and is favoured by President Lech Walesa, who sees it as a potential ally in his second-term presidential campaign due late

next year. The president has made no secret of his opposition to Pol-sat, the Polish-owned station which has been granted the country's only national com-

mercial TV licence. This deci-sion is being contested in the courts by rivals seeking a licence.
Polonia I officials claimed the police action was unex-

pected and brutal.

"It was a storm - fully armed anti-terrorist brigades were used against defenceless iournalists, many of them women," Polonia 1's spokes-

## came after Mr Grauso failed to Bratislava starts to catch up with ally

By Vincent Boland

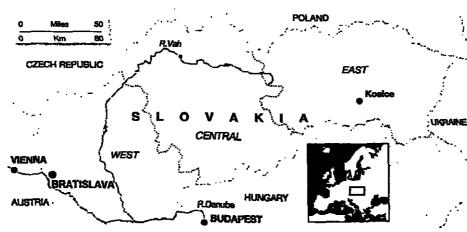


the Velvet Revolution of 1989 that ousted communism in the former DIARY Czechoslovakia there was a crisis in Bratislava's supermarkets. They ran

Shortly after

out of yoghurt.
The distribution system. geared to a centrally planned economy, collapsed and it suddenly became impossible to get domestic products. "We have very good yoghurt in Slovakia," notes Mr Peter Kresánek, mayor of Bratislava. "But three years ago you couldn't buy Slovak yoghurt, only Aus-

Happily, local producers soon got the hang of the market economy and Slovak yoghurt is now on display again. Ironically, it is now a big hit with the thousands of Austrian shoppers who stream across the border from Vienna. just 65km to the west, every weekend to take advantage of the city's lower prices. With the average Austrian industrial wage of \$3,200 against Slovakia's \$200 a month, the



The crowds of Austrian shoppers testify not just to the geographical closeness of the two cities, but also to a new business relationship that has developed since the revolution. It is a two-way relationship. Since border restrictions were eased thousands of Bratislavans have begun to travel to the Austrian capital daily to work on construction sites, as cleaners, or in shops and res-

taurants. As a result unemployment in Bratislava, at less than 5 per cent, is far lower than the Slovak average of nearly 15 per

cent, and higher Austrian wages give Bratislavans more spending power at home.

"The relationship is very good, both on the personal and the economic level," Mr Kresánek says. For many Bratislavans the restored links are symbolised by the close personal and working ties between Mr Kresánek and his Viennese counterpart, Mr Helmut Zilk.

Slovaks that the people of Vienna stood by them in their struggle. The gesture, remembered with affection by many Bratislavans, is credited with reawakening links between the two cities. Mr Zilk became an honorary citizen of the Slovak the two men meet regularly.

Slovakia is in Bratislava. Slo-

vak exports to Austria last year were worth over \$300m, and grew to nearly \$200m in the first half of 1994.

Ambitious plans are on the drawing board to improve road and rail links, upgrade services on the Danube for tourism and cargo and even revive a passenger tram line that ran between the two cities from 1914 to 1946, although the economic cost of the latter is believed to be prohibitive. The relationship, not surpris-

ingly, is becoming increasingly competitive. Business people in Bratislava trumpet the city's cost advantages and well-educated workforce, but admit its drawbacks. "Bratislava can beat Vienna on cost, but not on infrastructure," says Mr L'u-bomir Kardoš, a Bratislava businessman who says he wants to expand his stationery business into Vienna.

Some successes have been noted. Organisers of the annual Bratislava Trade Fair claim to have won exhibitors away from the Vienna fair by offering display space at a fifth of the cost. With Vienna airport roughly half way between the two cities, the Slovaks are counting on their lower costs to lure more business east.

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At the height of the Velvet Revolution Mr Zilk made an unexpected appearance at an anti-government rally in Bratislava to tell 100,000 cheering

capital shortly afterwards, and Austria is by far the biggest foreign investor in Slovakia, accounting for over a quarter of all foreign investment in the country at the end of June. About half the total Austrian investment of \$275m (£177m) in

**NEWS: INTERNATIONAL** 

# US phone groups win video victory

US local telephone companies have won a court victory in their battle to be allowed to offer video services to their

The US appeals court in Washington has upheld a Fedsion policy permitting compa-nies to offer "video dial tone" services to their customers without paying a franchise fee to the local government, as cable TV systems must do. Unlike a cable system, where customers can receive only a fixed list of channels, a video any programmer to send its signal over the telephone line.

Although not as futuristic as video on demand, where customers could dial up and ask

approved several applications to be allowed to offer the service and Bell Atlantic, the east coast regional telephone company, is expected to have a service in operation soon.

Local phone companies would be allowed to offer video dial tone services without obtaining a franchise in each community under some ous of the telecommunications legislation under discussion in Congress, so long as they were open to all programcials doubt whether that legis-lation will be completed before Congress breaks up for the

election campaign.
The legislation would, in any case, require phone companies to wait for a year after comply with regulatory requirements under the Cable Franchise fees paid to local panies to wait for a year after

nies typically amount to 5 per cent of revenue but can go higher. Telephone company officials said the appeals court's decision would remove a significant potential deterrent to investing in the new technology.

The court decision said that the FCC was right in its deter-mination that a telephone company providing video dial tone would not be engaged in the "transmission of video programming" as defined in the Cable Act, but was instead acting as a common carrier. rather like the Post Office.

Cable companies complained that the ruling would put they not only have to pay a franchise fee but also have to

# Inflation forces hand of Chinese leaders

By Tony Walker in Beijing

Chinese leaders may not have panicked over recent bad economic news but they have certainly reacted vigorously to indications that a 12-month-old programme aimed at curbing an overheating economy was

faltering. Since last week they have reasserted price controls and announced that failing stateowned enterprises would be bailed out. Less emphasis is being placed in government statements on reform than on stabilising an economy which is proving resistant to attempts

The question for western economists and for business is whether a price freeze accom-panied by "welfare" payments to state industry marks a backing away from economic liberalisation, or whether the

ble backsliding in reform, say- sures.

starved state industries are on the verge of collapse.

of China's most senior economists in his role as director of the Institute of Economics at the Academy of Social Sciences, said last night that the government was obliged to resort to a more interventionist approach to slow an economy which was still growing too fast. The present rate of economic growth was "unsustainable", he said, and resources such as power sup-plies and transportation continned to be overstretched. This in turn was exacerbating inflation. "If inflation goes too high, it will cause chaos," Prof Dong added.

This is the same message that Mr Li Peng, the Chinese premier, delivered at the weekend when announcing that for the rest of this year countering authorities are simply putting inflation would be the govern-on the brakes.

Chinese economists scoff at raised the spectre of social western concerns about possi- unrest to justify sterner mea-

Official alarm about inflation forced into more decisive measures by a resurgence of infla-tion and by signs that an showed that prices had jumped

reversing a moderating trend. The bad result followed release of capital spending figures which revealed an astonishing leap of 73 per cent in July in fixed asset investment compared with the same period

last year. Western economists in Beiting say the government has recognised that the macro-coutrol measures announced in July 1993, including a credit squeeze, had not been sufficient to calm an economy which grew by 13 per cent or more in the past two years. But they worry that deepening alarm about inflation may cause the authorities to repeat mistakes of the past such as the severe retrenchment of 1968 which came in response to price rises of 20 per cent and

nomic activity in 1988-89 is cited as a main reason for the Tiananmen Square distur-bance. Chinese leaders will want to avoid repeating the as opposed to a soft landing (retrenchment without too much pain) may be easier said

# Israel breaks pattern with 1.5% interest rate rise

Israel's central bank yesterday departed from its longstanding policy of minor interest-rate rises by jacking up rates by a full 1.5 per cent to 14 per cent, in an effort to halt a surge in inflation.

The Bank of Israel move, which takes effect on Thursday, was immediately matched by a 1.5 per cent increase in prime rates at Israel's commer-cial banks.

The central bank had previously sought to slow price rises with a series of seven minor interest-rate increases in the past nine months, to no avail. Inflation, which the govern-ment had predicted would setthe at around 8 per cent for 1994, is now running above 14 per cent. The Bank of Israel's governor. Prof Ya'acov Frenkel, described yesterday's move as "a pre-emptive strike" to ensure it did not spiral out of control. "Our goal is to

by 20 per cent in some areas despite government efforts to free more land for building; a number of relatively high public sector wage settlements; and rising prices in the pro-tected local fruit and vegetable markets.

Governor Frenkel indicated yesterday that he would have liked to order a sharp interestrate rise some months ago, but had refrained because of concerns that Israel's economic growth would be harmed and unemployment rates lifted. Now, though, he said, there was a national consensus that the fight against inflation should be made a priority.

indeed, apart from inflation - which rings particular alarm bells in Israel given the triple figure inflation blight of a decade ago - the economy is

week by the Central Description of the industrialised world."

Key factors in the inflation surge include: the continuing rise in house prices — \*\*Control Process\*\*

more than 6 per cent, and jobless totals have been coming down: figures released last week by the Central Description. ment down to 7.8 per cent in the second quarter of the year, from 8.2 per cent in the January-March quarter.

In a reflection of that robust overall economic performance, the Tel Aviv stock market yes-terday shrugged off the interest rate news, its general share index closing the day up 3.26 per cent at 179.94. Similarly, last week the market dipped only briefly following the government's announcement that it would be introducing a capital gains tax at the exchange. taking 10 per cent of real

"The one-two punch of a new tax and a large interest rate hike could, ordinarily, have been expected to bring the market down," said one analyst. "But the sense is that the market is pleased to see the government taking the battle performing impressively.

Annual growth is running at against inflation seriously."

# Saudi Arabia to boycott population conference

By Mark Nicholson in Cairo

Saudi Arabia, one of the world's strictest Islamic states, has decided not to send a delegation to next week's United Nations Conference on Population and Development in a move sure to stoke intensifying conservative Moslem opposition to the Catro meeting.
A UN spokesman in Cairo

confirmed that Saudi Arabia had said it would not attend, but said Riyadh had not explained why. Around 20,000 delegates from

up to 180 countries are due to attend the event, which opens next Monday and is hilled as an attempt to formulate a sweeping but consensual world approach to the related issues of population growth and development.
Conference organisers say

only Monaco, Liechtenstein,

Eritzes and the small Pacific Island of Nauru had previously stated they would not participate. Saudi officials were not

available for comment. However, the kingdom - whose ruler King Fahd titles himself the "custodian of the two holy mosques" of Mecca and Medina - is sensitive both to its role in the Moslem world and also to powerful domestic conservative Islamic opinion.

As a measure of the latter. Sherkh Abdul-Aziz hin Baz, the kingdom's senior religious fig-ure, yesterday called on Saudi Arabia to boycoit the meeting. He said a meeting today of the kingdom's most authoritative religious committee would "denounce" the Cairo confer-ence as "incompatible with the Moslem religion".

Sheikh bin Baz's comments and Saudi Arabia's decision

will further encourage conser-vative Islamic critics of the conference, who have grown increasingly vocal in recent weeks, notably in the host country itself. country itself.

Iranian officials have also cast the forthcoming conference in a religious light, condemning the draft UN text for promoting "sexual liberty" and committing Iranian delegates to making the final document compatible with Islamic law.

Extremes Islamic groups in Egypt James the fray at the weekend warning that all for-eign visitors to the conference were "putting themselves in dangers" way" by attending what they described as the Security at hotels, fourist and other pensitive sites has been increased noticeably in the past few days to safeguard

# meter alarms Japan's

networks By Emiko Terazono in Tokyo

Times are tough for Japan's television networks. Advertising revenues have fallen for two consecutive years, the competitors - satellite and cable television - are getting stronger, and all this is happening as growth in the number of viewers has become

another headache: the people meter. Already used in the US and Europe, the people meter is the new television ratings system by AC Nielsen Japan, the Japanese arm of the US

ing group.

By providing more precise and timely information on who is watching what, the device can change the coun-try's television advertising market, the second largest in the world at Y1,589bn (\$16.05bn), by influencing programme schedules and advertisement rates.

The concept of television viewer ratings and its use for advertising rates was brought to Japan by Nielsen in 1960. However, Dentsu, the largest advertising agency, and the leading networks set up their own ratings company, Video Research, two years later, which now holds a virtual monopoly in Japan. With the people meter, Nielsen wants to regain its foothold.

The meters are also damaging for the networks because they can give advertisers more bargaining clout in what is already a buyers' market. When the people meter was launched in the US in 1988, US networks, which offer ratings guarantees to advertisers, incurred sharp earnings falls because they were getting lower Nielsen ratings than they were used to. Nielsen's announcement ear-

lier this month of its plan to introduce the ratings system in Japan in November has trig-gered an unitary from televi-aton networks. The commersame mistake but economists cial television networks' association last week demanded that Nielsen retract its plan, saying the group's credibility would be hurt if it failed to do so.

Mr Yasuhiro Urushido, an executive at a leading network and vice-chairman of the asso-ciation's committee on individual ratings argues that the people meter had yet to be tested sufficiently. He also complains that a consensus had yet to be reached between the potential users of the system - the networks, advertisers, advertising agencies and the viewers.

However, corporate advertis-ers are behind the company. The Japan Advertisers' Association has given the people rations have become frustrated with the current ratings system based on households and supplemented by informa-tion on individual viewers based on diaries in which viewers list the programmes

they watch.

Foreign advertising agencies, trying to break into the tightly guarded Japanese mar-ket, have also welcomed Nielsen's move to provide fast, tar-

get-group-oriented data.

The household ratings system gives automated data from 3,600 households across the nation. However, the system fails to supply ample information to advertisers wishing to target a certain age or gender group. Meanwhile, the disries, filled in by individual viewers for one week per month, rely on the memo-ries of those who can bother to

keep them up to date.
Nelsen's system requires
every viewer to push a button
on a machine on top of the
talevision each time he or she watches felevision. Each mem-ber of a Nielsen family will have a separate button, and a heat sensor which can detect the number of people in front of a television set will beep a warning if the number of buttons and viewers do not

The networks' association argues that the people meter still relies on the diligence of the viewers to press the buttons, adding that the reliability of the sensors are yet to be proven. It is unlikely, however, that opponents of the system can prevent Nielsen sarting its service.

Although the networks say they will not allow advertisement rates to be based on Nielsen's ratings they cannot stop corporate advertisers from referring to the figures. An official at a UK based advertising agency says. Ratings are like a convency in the industry. The stronger and more widely used one usually who."

# TV people | Southern Africa harnesses SADC as engine for growth

South Africa's Deputy President Thabo Mbeki yesterday handed over the country's new flag to Southern Africa Development Conference chairman Sir Ketumile Masire in Gaberone, Botswana, in a ges-ture that marked the start of a new era for the entire region. The formal accession of South Africa to the now 11member SADC means that the organisation, originally devoted to reducing its members' links to their southern neighbour, is now regarded as the vehicle with the best chance of driving the region towards growth. The shift follows years during which SADC has been politically opposed to, but dependent on, South

Africa. This spirit of co-operation between South Africa and SADC was by no means guaranteed. While most of the world rejoiced at the success of South Africa's elections earlier this year, the broader southern African community viewed the transition to democracy with

mixed feelings.
Although justifiably proud at their contribution to the overthrow of apartheid, many in the region feared that the Afri-can National Congress, once in power, might forget its debts, while South Africa's re-emergence on the global stage would divert much-needed aid and investment from its poorer neighbours.

But, despite such concerns, the new South African government has placed regional co-operation at the forefront of its emerging foreign policy. In parliament two weeks ago, Mr Alfred Nzo, foreign minister, made clear that promoting good relations with other southern African states would be a priority. "South Africa will actively

encourage the movement to create a new form of political and economic interaction in southern Africa," he said, while stressing his support for a new regional security mechanism that would complement SADC's economic activities.

#### Miners agree wage rise

South Africa's National Union of Mineworkers yesterday formally agreed on an average 9.75 per cent wage settlement for 1994-95 on behalf of 200,000 of its members, writes

The agreement forestalls the possibility of a strike in the ndustry, the country's largest. It has been widely praised by government and business figures as an encouraging sign for renewed economic co-operation with big business in the light of the high-profile strike by 25,000 workers in the

motor industry, which is now

the unquestioned regional superpower under former President P.W. Botha, the South African regime unabashedly used its economic and military might to prevent its black-run neighbours from successfully uniting in opposition to South Africa or helping to provide aid to the liberation movement.

By helping to foment civil wars in Angola and Mozambique and showing little hesitation in launching cross-border military strikes to try to destroy ANC bases in other countries, South Africa garnered a well-deserved reputa-

tion as regional bully. It was in

response to such activities that

South Africa's neighbours

formed SADC's precursor, the Southern African Development Co-ordination Conference (SADCC), in 1980. Despite its admirable aims. however, SADCC proved in its fourth week. The final pay settlements -which wil lead to rises of between 8 and 8.75 per cent in wages for skilled gold miners, 8 to 10 per cent for unskilled gold workers and 9.75 and 13 per cent for coal miners – are above the inflation rate. currently at 7.5 per cent. But they are well below the NUM's

original demands for 12-15 per cent increases. Mr Juri Geldenhuys, president of the Chamber of Mines, said the agreement was testament to both sides' willingness to compromis

did nearly all its members actually expand their economic relationship with South Africa over the past decade; few of the organisation's initiatives to improve regional infrastructure yielded any fruit. Now, however, the situation has changed drastically. Recog-

nising the wider impact of political change in South Africa, the body renamed itself SADC in 1992, changing its primary focus from opposition to South Africa to economic development. And, with South Africa now a fully integrated member, the organisation is optimistic that it will finally be able to succeed in its goals.

Yesterday's SADC summit was preceded by a two-day meeting of regional trade ministers and it is through trade that the main thrust of economic development is planned. Recognising the need to estab-

which will ultimately allow the free movement of goods, services and capital across all

However, most of the region's economies maintain lations which will take a long time to dismantle. In addition Africa -- it contributes over 75 per cent to a regional GDP of around \$125bn (£80.6bn) makes other countries nervous of being flooded with cheaper South African goods should all

restrictions be removed. Thus many observers feel that any short-term benefits SADC are likely to be political rather than economic. "I can't see SADC successfully turning itself into a free trade area in the immediate future, but there is significant potential for the grouping, under South African leadership, to play the role of regional peacemaker," says Mr Chris Landsberg, a foreign policy specialist at Johan-nesburg's Centre for Policy

Acknowledging this possibil-ity, the Frontline States organisation (a political grouping comprising all SADC members except Malawi, Lesotho and Swaziland and also originally designed to thwart South Africa) has decided to restructure itself into the political and security wing of SADC. It to play the role of mediator in regional conflicts.

The scope for such activities has been demonstrated over the past week as SADC members have taken a stand to try to restore democracy to Leso tho after its king illegally dismissed the elected government. South African President Nelson Mandela has also played a role in helping to resolve remaining disagree ments ahead of the planned Mozambican elections.

Whether any of these initia tives, political or economic, prove successful remains to be seen. However the fact remains that, for the first time since most of SADC's members achieved independence, there is hope that, with South Africa The new approach is a unable to meet its objective of lish competitive, export-oriat the forefront, the region marked contrast to South reducing its members' frade ented industries, SADC intends might at last be able to reverse to devote itself to the establishing its economic decline.

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# Fleets fight in over-fished waters

In New York

Ten Taiwanese fishing vessels impounded by Indonesia, British fishing nets slashed in the Bay of Biscay, Japanese fishermen shot at by a Russian gunboat, and an Icelandic trawler and Norwegian coastguard vessel exchanging fire - in the past month, fish have been prompting diplomatic incidents and thisshows no sign of ending soon.

Fears are growing that overfishing is depleting even the most abundant species, while governments have so far failed to agree on ways to halt disfered some of the sharpest recent declines in its fish stocks, told a United Nations conference this month in New York that the oceans were "in crisis". However the conference, attended by more than 90

#### **Japanese** run gauntlet of Russian **bullets**

By Gordon Cramb in Tokyo

When Russian coastguards fired on a Japanese fishing boat this month, wounding a crew member in their move to impound the vessel, the incident provided a reminder of a territorial issue unresolved for

It also indicated recent problems tempting Japanese fishermen into waters around the disputed Kurile islands, which they would otherwise avoid. Not only has Japan's ocean catch been declining, but the stronger yen has made seafood imports more competitive.

The ship belonged to the main fishing co-operative in Nemuro, north-eastern Japan, from where the Kurile chain arcs towards Siberia. The four islands nearest Japan were seized by the Soviet Union as the Pacific war ended.

Mr Yohei Kono and Mr Andrei Kozyrev, the countries' foreign ministers, are expected to discuss the Kuriles when they meet at the UN in late September. A lower-level Japanese delegation is due next week in Sakhalin, from where the disputed islands are administered, amid suggestions of a proposed interim solution to the fishing problem.

This would involve setting up an ostensibly private sector tal: to preserve marine resources in the region. In reality, it would channel revenue to Russia while allowing the boats of Nemuro and nearby ports to fish more widely in Kurile waters without making themselves a target for Russian bullets. The Sakhalin administration

is, however, conducting parallel negotiations with South Korea which, if Seoul bids higher, could accord its ships preferential access.

Imports of marine products into Japan have risen 36.2 per cent by volume in the last five years. Although these include frozen and processed foods, they were equivalent last year to nearly half the 7.2m towns Japanese sea catch, which has fallen 30.8 per cent over the same period.

The Nemuro fishermen's association says the problem centres not so much on destocking of its waters but on cheaper imports, as well as the banning of certain types of net, and an almost one-third cut over five years in its salmon and trout quota under one of the few existing agreements with Russia. Its overall revennes have been halved

from their early-1980s peak. The Nemuro co-op, which runs some 3,000 mostly small vessels, has sought to compensate by going for higher-value seafood such as crab. As the crustaceans are less prevalent near its own shores, this means entering shallower

waters around the islands. While Russia tolerates deepwater fishing within 200 miles of its coastline, it rigorously enforces a 12-mile territorial zone and made clear this spring it would clamp down on

oaching there. An infringement of this zone ensnared a Nemuro ship a fortnight ago. One of its halfdozen crew, who now face trial, had an operation on the bullet wound. The shooting, which followed a similar incident late last year, triggered a Japanese embassy protest to the foreign ministry in

So far this year Russia has detained 49 Japanese fishermen, up from 43 in the whole of 1993. Jail terms of a year or more are common.

night without consensus on cupboard such as tuna become Winches and motors to haul million - has pushed many how to conserve the seas'

Nearly 30 separate conflicts have flared in the past year over rights to fishing. The catalyst for the disputes is that the amounts of fish caught appear to be declining in the past few years, following four decades of explosive expansion.

According to the UN Food and Agriculture Organisation, catches have risen more than fourfold from 1950 to a peak of more than 90m tonnes in 1989. But although precise figures are hard to establish, there are signs that worldwide catch levels have since dropped by sev-

That halting of the industry's expansion, many fear, reflects the growing scarcity of many types of fish. Environmental groups paint a vision of the oceans in the next century as a desert. Western countries

**GD4** US/China: Former threatens

latter with possible trade sanctions over failure to bring

ishermen into line with United

blockade in support of demands

sasons due to the Boton Valdez

Alasia: US fishermen set up

toltowing poor pink-sialmon

Equador: Conflicts within

national industry between

commercial operations and traditional small-scale fishing.

region's local industry and illegal

fishing by Japan, Russia, Taiwan.

wariese vessel after hot pursuit.

US and Venezuela

Patagonian Shelf: flegal fishing
by Talwanese and South Koreans;

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mile zone

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conserve bluefin tuna.

(Flamish Cap/Grandba

by Russians and Chileens in 200-

Caribbeen: Poaching by the

oil-spill disester

expensive delicacies, they

Asian and African governments are also becoming alarmed: fish accounts for between a fifth and a third of the animal-derived protein in their countries' diets, UN figures suggest, compared to only several per cent of those in Western countries.

Scarcity of some species has forced fishermen and consumers to turn to new types of fish. According to Greenpeace, while catch levels rose by a third during the 1980s, almost all of that rise came from just five species: Alaskan pollack, Chilean jack mackerel, Peruvian anchovies, and Japanese and South American pilchards.

12 miles offshore to 200 miles. The new rules, which brought more than three quarters of the world's fish within The huge increase in the national waters, was followed catch of fish since the 1950s by a doubling of the size of the world's fishing fleets, according to the UNFAO. Overcapahas been driven partly by new technology. Fishing fleets home in on schools of fish city - the total number of vessels is estimated at some three using sonar and radar.

Troubled waters: fishing disputes, clashes, poaching and piracy over the past year

drift nets. which can contain

more than 40,000 pounds of

fish have become more power-

ful, while nets have become

longer, with the inclusion of

nylon fibres which reduce tear-

ing. Nets now frequently have

mouths tens of metres wide.

and can stretch for hundreds of

attribute some of the increase

in catch levels to the changes

in international fishing regula-

tions more than a decade ago.

The 1982 Law of the Sea

pushed the boundaries of

national waters outwards from

But environmentalists also

parts of the industry into loss. According to the UNFAO, fishing fleets spent some \$92bn in 1989. Revenue figures are hard to establish with precision, but UN figures and industry analysts suggest that they

amounted only to some \$70km.

Much of the shortfall is lugged by billions of pounds in government subsidies. European Union countries alone spend nearly \$600m a year. according to UN estimates. Countries fear that if they surrender national fishing rights they could lose tens of thousands of jobs. There is no shortage of examples to fuel their auxiety. At least 20,000 people working in the traditional cod fisheries of Newfoundland have been put out of work since the Canadian government banned fishing in 1992 in an attempt to boost depleted stocks. The government has

(£400m) to support these The bitterest international

rows in the past year have focused on "migrating" fish such as tuna and swordfish which travel thousands of kilometres through the high seas to feed and spawn. The past vear's disputes have also including rights to "straddling" fish such as cod, herring and some types of squid, which migrate between coastal and international waters.

Mr Satya Nandan, Fili ambassador to the UN and chairman of the conference, said last week that the required backing of two-thirds of the delegates should be achievable as "the overwhelming majority want a binding solution". Governments meet again in six months time. If the frequency of conflicts stays at its present level, they will have every incentive to overcome

(D) Straits of Malacca: Malaysia ests of Chinese

for allegedly fishing with improper (Chine/Taiware Posching and

foreign fleets over bluefin stocks. ally over Japanese fishing protests against illegal fishing, especially off Chathern Place also

els in hold fishery 634 North Pacific: Six North Pacific Apadromous Fish Commission esals sighted driftmetting Megally (2) Bering Sea: Posching by hon-

Buf Domet Hole: Passie accuses US of Regal fishing in Beting See; China, Japan and South Kores also

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especially over Japanese Sahin (Chathum Rise: New Zealand

# Asian fleets roam in search of bluefin tuna

Bay of Blacay: British, French and Spanish fishermen in dispute.

thods used to catch turn

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traviers' being excluded from sich

-chmetimes violently, quer

and French lead to French

lobster and other shellfish

Sootland: Pishermen attack

By Terry Hall in Wellington and and Nikki Tait in Sydney

Claims by environmentalists that New Zealand's valuable deep water fisheries are being over-exploited has led to a row with the government and fishfund, the stated purpose of ing companies over the future export industry.

Last week, environmental group leaders stormed out of a special conference called by fisheries minister Mr Doug Kydd on the future of the

industry. The government is trying to put in place a new control mechanism which will give the fishing companies more say in establishing sus-

(ICCAT areas Stock depletion)

from over-fishing by ICCAT

by non-parties to ICCAT, the

protests that it is threatened by

Ineland: Irish accuse Spain of

Begal fishing by European Union

illegal fishing in European Linko

Atlantic tuna stocks

(10) Serrogal: Local industry

members and from Bedal fishing

One of the most prominent issues in the region is the chronic over-fishing of the late 1960s the fish were plentiful, but then a global decline became apparent as Japanese companies increased their presence in the region.

ations, the fishery is managed under a trilateral quota system between Australia, Japan and New Zealand. Japan pays an access fee to Australia, allowing it to catch part of its quota in Australian waters.

A big remaining worry is the rate and price at which the notably Japan, Taiwan and South Korea, are harvesting tuma in the 20m square kilometres of ocean controlled by the Pacific island countries.

catch. The Honiara-based Forum Fisheries Agency has calculated that access fees paid by the big Asian countries under bilateral agreements were only A\$74m (£35.2m) in 1993, while the market value of tuna taken from Pacific waters

Norway in dispute over Arctic

rights in this so-called Escape

Hole region outside control of

caught fishing liegally in Shirish in Indian Ocean Territory

(D) BIOT week Japanese tombio

(Rerais: Traditional small-acaie

fishing under threat from area's

emerging industrialised operations

Norway and Russia

Given the importance of revenue from fisheries access to some of the island economies it accounts for 40 per cent of Kiribati's gross domestic product for example - deals struck to meet later this year.

under bilateral arrangements look low. The problem, moreover, may be compounded by significant under-reporting of catches from these waters. Accordingly, there is a push, encouraged by Australia, to get the South Pacific nations to take a multilateral approach. A

South Pacific Forum, an annual meeting of island nation leaders, approved the idea in principle this month, and fisheries ministers are due

Japanese vessels for encroaching Into its Exclusive Economic Zone

South Koree and Talwan especially

come up dead, to be thrown back into the sea.

fish caught by drift-nets.

# Spanish fleet goes to war over drift-nets

By David Gardner on the Spanish Basque coast

A thin curtain of drizzle, mist and diesel fumes hung over the wharf at Bermeo when dawn broke on Friday as the largest fishing fleet on the Basque coast hoisted from its holds its diminishing catch of Bay of Biscay tuna, the prized bonito.

The mood was suilen and aggressive. Posters and flysheets along the quay, and lapel badges throughout the Basque Country, proclaimed why: "Bolantarik Ez". No to the drift-nets - used by France's (often French Basque) fleet, with which the Spanish Basques have been skirmishing at sea since the Biscay bonito season opened in June. "If this is not settled soon,"

says Mr Jose Manuel Gabantzo, president of the Bermeo Cofradia or boat-owners association, "then that's it; we're going to war. There could well be deaths and sinkings." Mr Gabantzo forecasts confrontation in October unless European Union fisheries minister agree to ban drift-nets at their meeting in

Brussels on September 28. The latest chapter in this sixyear old conflict began in mid-July when trawlers from the Basque Country and Galicia surrounded a French vessel using a 5.7km drift-net - more than twice the standard EU

limit - and forced it into a Spanish port. Druft-nets, increasingly banned internationally, are mesh walls up to 20km long which indiscriminately entrap undersea life in their path. They scoop up the bonito effectively and cheaply as it migrates into

the Biscay gulf in the second haif of each year. But much of the drift-net catch is undersize, thereby depleting the spawning stock which renews the shoals; an unquantifiable amount slips dead out of the nets; and great hauls of other species, including dolphin and blue shark.

"If we don't get rid of drift-nets now, the French will have killed off the fish stocks within four to five years, and this town will die," says Mr Gabantzo. But before that, he vows. "we will burn their lorries for as long as it takes, and the Spanish authorities know

Drift-nets, brought to Europe from the far east, allow the French to capture three times as much per boat as Spain's northern fleet, while using half the crew. Spain, meanwhile, is sumer of fish. And its (mostly Basque) fish processors provide the main market for the The bonito are caught by rod.

using live bait, or by curricon,

lures. The fish caught tend to be mature, fresh and whole, whereas drift-net tune often lose their skin and turn bland because of the long churn through the water. These are methods which

require a lot of people and a lot

hiles

of professionalism," says Mr Leo Beleustegui, a fisherman of 30 years experience from Motrico, who points out that bonito crews habitually work 18-20 hours a day when at sea. As a result, France had largely given up on Biscay tima, But its southern Atlantic fleet was revived by the driftnet and the access to traditional Spanish fishing grounds conceded when Spain joined Europe in 1986. Five years ago. the Spanish Basque fleet landed 23m tonnes of bonito against 14m tonnes last year, France has in the same period climbed from virtually nothing to 7m tonnes.

"They're more profitable, but for how long?" asks Mr Gabantxo, whose Cofradia dates from the 14th century. "They say we're out of date, but with our traditional arts we have a future, which is better than exhausting the stocks in five years. The sea has to have continuity.

Support has come from across Spain: from ecologists, fish markets, housewives groups, neighbourhood and consumer associations, trade unions, and political parties scrambling on to the bandwagon. ETA, the armed Basque separatist group, scenting a populist cause it can hijack, wrote to the Cofradias in April offering to intervene. The Basque autonomous government, Madrid and Brussels have all had to react.

The main result so far is that from Thursday, tuna caught by traditional means will have a green aluminium logo clipped on the tail. This could be a useful marketing ploy. But for the foreseeable future it will not fill the gap in supply which sucks in imports from France.

Mr Gabantxo counters that supplies will diminish anyway if drift-netting continues, and that any gap should be filed with tropical tuna (which the Basque processing industry is already investing in). But Mr Belaustegui, recently

appointed a full-time union official in the port of Ondarroa. says: "The problem is not what method you use, but how you use it, and in particular how to create better working conditions while you conserve fishing stocks." If smaller, modified nets were used more kilos in 10 days instead of 20. The question then is are you going to be forced to work another 10 days for another

# Falklands rivalry tests quick tempers

Diplomats in Buenos Aires must learn the mating and migratory habits of squid, writes John Barham

rgentina reacted furiously when the UK **1** government last week announced a seemingly innocuous decision to extend control over a 547 square mile patch of ocean outside fishery control areas around the Falkland

The Argentinians declared they would not "tolerate, accept and much less consent"

The UK claimed poschers used this so-called "Gap" area as a bolt-hole. Even though the Gap lies within Falklands territorial waters. British officials say they tried to discuss the issue with Buenos Aires all year. The Argentinians kept postponing talks and the British decided to act unflaterally.

President Carlos Menem angrily said he would send patrol ships into the Gap, even though it lies outside Argentina's 200-mile territorial limit. Although he played down the issue later in the week, the

Falklands remain a contentious and sensitive issue. British diplomats posted in Buenos Aires must master the intricacies of fishing data and develop a thorough understanding of the mating and

migratory habits of Illex squid. the islands' main resource. The Illex travels through Argentine and Falkland waters, so both sides now hold

talks to share the catch. They have learned to co-operate over protecting become a very big industry.

They swap catch data, establish quotas and keep each other posted about the position of poachers.

Although Falklanders sneer at Argentina's inability to patrol its waters effectively, the coast guard is notoriously aggressive. Trigger-happy captains often pepper poachers with gunshot.

Last May, a Taiwanese ship sank after fleeing into Falkland waters when a coast guard cutter fired on it. Licence sales are a vital reve-

nue source for the Falklands. This year's fish licence sales of £24.1m make up nearly twothirds of government revenues. However, this is a far cry from the boom years of the 1980s, in 1989, the islands raked in a record £28.8m from fisheries. Next year, the islands do not expect to sell more than £16.6m

worth of licences. The main reason for this is competition from Argentina which recently launched a rival licence regime of its own, selling 60 licences this year, priced to undercut the Falkland licences.

Furthermore, this year's Illex season was exceptionally bad. Ships caught only 67,000 tonnes in Falklands waters against an historical average of 165,000 tonnes. Both Argentina and the islands closed the Illex season early to preserve the

In addition, a fisheries agree the European Union has led to

vessels to enter Argentine waters once closed to foreign ships in exchange for grants and privileged access to EU markets. Brussels wants to find new fishing grounds outside European waters, mainly to benefit Spain's big fishing

In 1993, 915,500 tonnes of fish were caught in Argentine waters, 126 per cent more than five years earlier. Although these statistics are not reliable. they do indicate a rising trend in fishing effort.

Argentina now exports more

fish than beef. Fish export revenues last year rose 18 per cent Hake accounted for nearly half Argentina's 1993 catch of 422,000 tonnes, an increase of 14 per cent over 1992. Squid

volumes rose 150 per cent to

Ding trade publication, warns: "Catches are reaching their limits for several species, especially hake. Blue whiting and squid are also approaching their limits. For the first time,

Although fishing has become a big earner for Argentina, its under-funded and overstretched navy, air force prevent poaching.

ut Mr Julio Torre, the this region is reaching its limit.

and coast guard are unable to It is anyone's guess how much fish is really caught in

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1966 187 188 189 189 189 1991 1992 14 qtr. 1993 14 qtr. 1993 14 qtr. 1993	62 6.9 4.1 3.9 7.5 3.8 -4.9 -0.2 1.3	7.4 6.6 9.9 8.5 9.5 9.2 2.7 5.5 -1.7	10.03 7.79 8.26 7.94 9.39 10.32 9.62 10.36 8.55	11.74 8.74 9.46 9.08 8.79 9.92 9.03 8.57 6.75	7.8. 2.65 2.75 3.89 2.88 3.19 3.58 3.55 3.21	18.2 10.5 10.4 7.8 7.1 9.3 7.3 8.7 4.4 4.9 7.1	13.5 8.2 9.8 6.9 8.2 9.1 8.0 7.5 7.0	14.34 13.25 11.32 11.24 12.41 11.88 11.83 13.86 10.22 9.36 8.89 8.42	18.71 11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23 10.27 9.10 8.99	1.41 1.94 2.71 2.45 2.84 3.45 3.63 2.35 1.89 2.02 1.80	4.7 4.0 4.7 6.8 5.9 8.3 2.4 2.4 4.8 5.3 5.5	13.2 15.3 14.8 17.0 17.5 16.1 8.0 5.1 3.6 3.5 4.3	12.32 11.02 9.77 10.41 13.96 14.82 11.58 9.73 5.99 5.96 5.61 5.31	11.03 9.97 9.52 9.69 10.30 11.53 10.04 9.09 7.40	9.64 4.36 4.36 4.36 4.36 4.36 4.36 4.37 3.37 3.37 3.57
996 987 988 999 990 991 992 993 4 qtr.1993 st qtr.1994 ad qtr.1994	62 69 41 89 75 38 -49 -02 13 -0.7 13 3.0 3.8	7.4 6.6 9.9 8.5 9.2 2.7 5.5 -1.7 -4.3 -3.2	10.03 7.79 8.26 7.94 9.39 10.32 9.62 10.36 8.55 7.74 6.74 6.29 5.73	11.74 8.74 9.46 9.08 8.79 9.92 9.03 8.57 6.75 6.38 5.92 5.99 7.03	7.8. 2.65 2.75 3.69 2.88 3.19 3.55 3.21 3.14 3.01 2.85 2.97	13.2 10.5 10.4 7.8 7.1 9.3 8.7 4.4 4.9 7.1 7.7 9.3	13.5 8.2 9.8 6.9 8.2 9.1 8.0 7.5 7.0 7.6 7.9 7.6 7.5	14.34 13.25 11.32 11.24 12.41 11.83 13.86 10.22 9.36 8.89 8.42 7.98	18.71 11.47 10.58 10.54 11.61 11.87 13.29 11.23 10.27 9.10 8.99 9.84	1.41 1.94 2.74 2.45 2.84 3.45 3.63 2.35 1.89 2.02 1.80 1.54	4.7 4.0 4.7 6.8 5.9 5.3 2.4 4.8 5.3 5.5	13.2 15.3 14.8 17.0 17.5 16.1 8.0 5.1 3.8 3.5 4.3	12.32 11.02 9.77 10.41 13.96 14.82 11.58 9.73 5.89 5.61	11.03 9.97 9.52 9.69 10.30 11.53 10.04 9.09 7.40 7.13 6.61	9.64 4.36 4.36 4.36 4.36 4.36 4.36 4.37 3.37 3.37 3.57
996 997 998 998 990 991 992 993 ed qtr.1993 et qtr.1993 et qtr.1994	62 69 41 39 7.5 3.8 -4.9 -0.2 1.3 -0.7 1.3 3.0 3.8	7.4 6.6 9.9 8.5 9.2 2.7 5.5 -1.7 -4.3 -3.2	10.03 7.79 8.26 7.94 9.39 10.32 9.62 10.36 8.55 7.74 6.29 5.73	11.74 8.74 9.46 9.08 8.79 9.92 9.03 8.57 6.75 6.75 6.38 5.92 5.99 7.03	7.8. 2.65 2.75 3.69 2.88 3.19 3.58 3.55 3.21 3.14 3.01 2.85 2.97	13.2 10.5 10.4 7.8 7.1 9.3 7.3 8.7 4.4 4.9 7.1 7.7 9.3	13.5 8.2 9.8 8.2 9.1 8.0 7.5 7.0 7.8 7.9 7.6 7.5	14.34 13.25 11.32 11.24 12.41 11.88 11.83 13.86 10.22 9.35 8.89 8.42 7.98	13.71 11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23 10.27 9.10 8.98 9.84	784 1.41 1.42 2.71 2.45 2.84 3.45 3.63 2.35 1.89 2.02 1.80 1.54	4,7 4,0 4,7 4,8 5,8 5,3 2,4 4,8 5,3 5,5 5,5 6,8	13.2 15.3 14.8 17.0 17.5 16.1 8.0 5.1 3.8 3.5 4.3 5.4 5.5	12.32 11.02 9.77 10.41 13.96 14.82 11.58 9.73 5.99 5.96 5.61 5.31	11.03 9.97 9.59 9.69 10.30 11.53 10.04 9.09 7.40 7.15 6.61 8.72	1.30 4.30 4.40 4.30 4.50 4.50 4.50 4.50 4.50 5.50 4.50 5.50 5
996 987 988 999 990 991 992 993 and optr.1993 st optr.1994 upgust 1993 spjentber	62 69 41 89 75 38 -02 13 -0.7 13 3.0 3.8 -13 -0.7 0.5	7.4 6.6 9.9 8.5 9.2 2.7 5.5 -1.7 -4.3 -3.2	10.03 7.79 8.26 7.94 9.39 10.32 9.62 10.36 8.55 7.74 6.74 6.29 5.73	11.74 8.74 9.08 8.79 9.92 9.08 8.57 6.75 6.38 5.92 5.99 7.03 6.33 6.12 5.95	7.8. 2.65 2.75 3.69 2.88 3.19 3.55 3.21 3.14 3.01 2.85 2.97	13.2 10.5 10.4 7.8 7.1 9.3 8.7 4.4 4.9 7.1 7.7 9.3	13.5 8.2 9.8 8.2 9.1 8.2 9.1 7.5 7.0 7.8 7.9 7.5 7.5 8.7	14.34 13.25 11.32 11.24 11.88 11.83 13.86 10.22 8.38 8.42 7.98	18,71 11,47 10,58 10,54 11,67 11,87 13,20 13,29 11,23 10,27 9,10 8,98 9,84 10,08 9,68	784 0.8 1.41 1.94 2.71 2.45 2.84 3.45 3.63 2.35 2.02 1.89 1.54	4.7 4.0 4.7 8.8 5.9 2.4 2.4 4.8 5.3 5.5 5.5 6.8	132 15.3 14.8 17.5 16.1 8.0 5.1 3.8 3.5 4.3 5.4 5.5 5.5 3.5	12.32 11.02 9.77 10.41 13.96 14.89 9.73 5.99 5.61 5.23 5.91 5.96	11.03 9.97 9.52 9.68 10.30 11.53 10.04 9.09 7.40 7.13 6.61 8.72 8.12	1.20 4.30 4.40 4.30 4.50 4.50 4.50 4.50 4.50 4.50 4.50 4.5
996 987 988 989 990 991 992 993 993 994 994 995 995 995 995 995 995 995 995	62 69 41 39 75 38 -49 -02 13 -0.7 13 3.8 -1.3 -0.7 0.5 -1.5	7.4 6.8 9.5 9.5 9.5 9.5 7.7 5.5 -1.7 -4.3 -3.2 0.6 0.5 -0.2 -1.1	10.03 7.79 8.28 7.94 9.39 10.32 10.36 8.55 7.74 6.74 6.74 6.73 7.29 6.79	11.74 8.74 9.08 8.79 9.93 8.57 6.75 6.38 5.99 7.03 6.33 6.12 5.95 6.02	2.65 2.75 3.69 2.88 3.19 3.55 3.21 3.14 3.01 2.85 2.97 3.08 3.08 3.02 3.07	13.2 10.5 10.4 7.8 7.1 9.3 7.3 8.7 4.4 4.9 7.1 7.7 9.3 8.7 9.3	13.5 8.2 9.8 8.2 9.1 8.0 7.5 7.0 7.8 7.9 7.6 7.5	14.34 13.25 11.32 11.24 12.41 11.88 11.83 13.86 10.22 9.35 8.89 8.42 7.98	18.71 11.47 10.58 10.54 11.61 11.87 18.20 13.29 11.27 9.10 8.99 9.84 10.06 9.68 9.68	7.64 1.41 1.94 2.71 2.45 2.84 3.45 3.63 2.35 1.89 2.02 1.80 1.54	4.7 4.0 4.7 6.8 5.9 5.3 2.4 2.4 4.8 5.3 5.5 5.5 6.6	13.2 15.3 14.8 17.5 16.1 8.0 5.1 3.8 3.5 4.3 5.4 5.5 3.5 3.5	12.32 11.02 19.07 10.41 13.96 14.82 9.73 5.99 5.96 5.91 5.23 5.91 5.23	11.03 9.97 9.52 9.69 10.30 11.53 10.04 9.09 7.40 7.13 6.61 8.72 8.12 7.00 6.81	1.30 4.30 4.44 4.30 4.50 4.50 4.50 4.50 4.50 5.50 4.50 5.50 5
186 187 188 189 180 190 190 190 190 190 190 190 190 190 19	62 69 41 39 7.5 48 -02 1.3 -0.7 13 3.0 3.8 -1.2 -0.7 0.5 -1.5	7.4 6.8 9.8 9.5 9.5 2.7 5.5 -1.7 0.5 -4.3 -3.2 0.5 -0.2 -1.1 -1.7	10.03 7.79 8.28 7.94 9.39 10.32 9.62 10.36 8.55 7.74 6.74 6.72 9.69 9.69 6.74 6.52	11.74 8.74 9.08 8.79 9.92 9.03 8.57 6.75 6.38 5.99 7.03 6.12 5.85 6.12 5.79	2.65 2.75 3.69 2.88 3.19 3.58 3.55 3.21 3.14 3.01 2.85 2.97 3.08 3.08 3.02 2.94	13.2 10.5 10.4 7.8 7.1 9.3 7.3 8.7 4.4 4.9 7.1 7.7 9.3 5.2 8.1 5.4 7.4	13.5 8.2 9.8 6.9 8.2 9.1 8.0 7.5 7.9 7.6 7.5 8.7 7.3 8.7	14.34 13.25 11.325 11.24 12.41 11.88 11.88 10.22 9.35 8.89 8.42 7.98 9.35 9.18 8.87	18,71 11,47 10,58 10,54 11,67 11,87 13,20 13,29 11,23 10,27 9,10 8,98 9,84 10,08 9,68	1.94 2.71 2.45 3.45 3.63 2.35 1.89 2.02 1.80 1.54 1.83 1.85 1.85 2.15	4.7 4.0 4.7 5.8 5.3 2.4 4.8 5.3 5.5 5.5 6.8 5.5 5.5	132 15.3 14.6 17.5 16.1 17.5 16.1 3.8 3.5 4.3 5.4 5.5 3.5 4.3 5.4 5.5 4.3 5.4 5.5 4.3 5.4 5.5 4.3 5.4 5.5 4.3 5.4 5.5 4.5 5.7 5.7 5.7 5.7 5.7 5.7 5.7 5.7 5.7 5	12.32 11.02 9.77 10.41 13.96 14.82 11.58 9.73 5.99 5.96 5.51 5.23 5.91 5.96 5.86 5.86 5.86 5.81 5.98	11.03 9.97 9.52 9.68 10.30 11.53 10.04 9.09 7.40 7.15 6.61 8.72 8.12 7.00 6.61 8.77	1.30 4.30 4.44 4.30 4.30 4.30 4.30 4.30 4
996 987 988 990 991 992 993 of qtr.1993 st qtr.1994 st qtr.1994 st qtr.1994 squart 1992 sptember oversiber strussy 1994	62 69 41 39 75 38 -02 13 -0.7 13 3.0 3.8 -13 -0.7 0.5 -1.5 1.3	7.4 6.8 9.8 8.5 9.2 2.7 5.5, -1.7 -4.3 -3.2 0.5 -0.2 -1.1, -2.9	10.03 7.79 8.28 7.94 9.39 10.36 8.55 7.74 6.29 5.73 7.93 6.99 6.74 6.54 6.55	11.74 8.74 9.08 8.79 9.03 8.57 6.75 6.38 5.92 5.99 7.03 6.12 5.95 6.02 5.95 6.02 5.95 6.02	2.65 2.75 3.69 2.88 3.19 3.55 3.21 3.14 3.01 2.85 3.02 3.02 3.07 2.94 2.82	13.2 10.5 10.4 7.8 7.1 9.3 8.7 4.9 7.1 7.7 9.3 5.2 8.1 5.4 8.4 7.4 5.9	7.5 7.6 7.5 7.6 7.5 7.6 7.5 7.3 8.8 7.3 8.8 7.5	14.34 13.25 11.32 11.24 12.41 11.83 13.86 10.22 9.35 8.42 7.38 9.35 9.35 9.35 9.36 9.36 9.36 9.36	18.71 11.47 10.58 10.54 11.67 13.20 13.29 11.23 10.27 9.10 8.98 9.66 9.04 9.34 8.98	1.41 1.94 2.71 2.48 3.45 3.63 2.35 1.89 2.02 1.80 1.54 2.15 1.94 2.15 1.88	4.7 4.0 4.7 6.8 5.9 5.3 2.4 2.4 4.8 5.3 5.5 5.5 6.6	132 15.3 14.8 17.5 16.1 8.0 5.1 3.8 3.5 4.3 5.4 3.5 4.3 5.4 4.3 5.4 4.3 5.4 4.3 5.4 4.3 5.4 4.3 5.4 5.4 5.5 5.7 6.4 6.4 6.4 6.4 6.4 6.4 6.4 6.4 6.4 6.4	12.32 11.02 9.77 10.41 13.98 14.82 11.58 9.73 5.99 5.61 5.23 5.91 5.93 5.83 5.83 5.83 5.40	11.08 9.97 9.52 9.69 10.30 11.53 10.04 9.09 7.40 7.13 6.61 8.72 7.00 6.91 6.81 8.71 6.81	123 4.33 4.43 4.33 4.33 4.33 4.33 4.33 4.
1966 187 188 189 189 189 1991 1992 183 14 qtr.1993 14 qtr.1994 14 qtr.1994 14 qtr.1994 15 qtr.1994 16 qtr.1994 17 qtr.1994 18 qtr.1994	62 69 41 39 75 38 -02 13 -0.7 13 3.0 3.8 -13 -0.7 0.5 -1.5 1.3 2.7	7.4 6.8 9.5 9.5 9.5 2.7 5.5 -1.7 -4.3 -3.2 0.6 0.5 -1.1 -1.7 -2.9	10.03 7.79 8.28 7.94 9.39 10.36 8.55 7.74 8.29 5.73 7.93 7.93 6.74 6.52 6.30	11.74 8.74 9.08 8.79 9.93 8.57 6.75 6.75 6.38 5.99 7.03 6.33 6.12 5.95 5.95 5.95 5.95 5.95 5.95 5.95 5.9	2.65 2.75 3.69 2.88 3.19 3.55 3.21 3.01 2.85 2.87 3.06 3.02 2.97 2.94 2.84 2.81	13.2 10.5 10.4 7.8 7.1 9.3 8.7 4.4 4.9 7.1 7.7 9.3 5.2 8.1 5.4 8.4 7.4 7.7	7.5 7.6 7.5 7.6 7.5 7.6 7.5 7.6 7.5 7.6 7.5 7.6 7.5	14.34 13.25 11.32 11.24 12.41 11.83 13.86 10.22 9.38 8.42 7.98 9.35 9.35 9.36 8.72 9.08 8.72 9.08	18.71 11.47 10.58 10.54 11.61 11.87 13.29 11.23 10.27 9.10 9.84 10.08 9.84 10.08 9.84 8.94 8.94 8.94 8.98 8.78	1.41 1.94 2.71 2.45 2.84 3.45 2.35 1.89 2.02 1.54 1.83 1.85 1.97 1.97 1.97	4.7 4.0 4.7 5.8 5.8 5.4 4.8 5.5 5.5 5.5 5.5 5.5 5.5 5.5 5.5 5.5 5	132 15.3 14.6 17.5 16.1 17.5 16.1 3.8 3.5 4.3 5.4 5.5 3.5 4.3 5.4 5.5 4.3 5.4 5.5 4.3 5.4 5.5 4.3 5.4 5.5 4.3 5.4 5.5 4.5 5.7 5.7 5.7 5.7 5.7 5.7 5.7 5.7 5.7 5	12.32 11.02 19.07 10.41 13.96 14.82 9.73 5.99 5.96 5.61 5.31 5.23 5.96 5.83 5.83 5.98 5.44	11.03 9.97 9.52 9.69 10.30 11.53 10.04 9.06 9.06 7.46 7.13 6.61 8.72 8.12 7.00 6.81 8.77 6.81 8.77 6.81	124 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3
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NEWS: UK

# Mobiles overtake fixed phones

Mobile phones are enjoying such a boom in the UK that new cellular phone connections are racing ahead of connections to traditional fixed phone net-WOLKS.

The net number of new connections to mobile networks overtook fixed net-work connections to British Telecom and the cable TV companies last December, on a surge of pre-Christmas

mobile phone buying.

Analysts expected that after Christmas the mobile phone tide would ebb. But the ceilliar industry has stayed ahead every month this year except January in what is clearly a significant turning point for the teleco

about 2.6m subscribers compared with BT's 26m and about 500,000 for the cable companies. On current trends, the gap between numbers of subscribers on fixed and mobile networks will progres sively narrow, in spite of sustained growth in the number of fixed fixed-line connections

It took the UK's cellular operators eight years from their launch in 1985 to attract their first 1.4m customers. The number of subscribers has almost dou-bled since the start of 1993, with the increase running at more than 50 per

cent a year.

The figures reflect a change in the perception of mobile phones, which are no longer seen as the plaything of

mobile operators have been pitched at mainstream consumers, and one of the four networks - Mercury One-2-One - claims to be in direct competition with BT by offering free local mobile phone

calls on its networks in the evenings. In reality, all the mobile networks are vastly more expensive to use than their fixed counterparts, when allowance is made for monthly subscriptions of up to £28.75 and the high cost of phone calls, handsets and initial connection. However mobile prices are falling rap-

idly, with call charges down by as much as a third over the past year and handsets widely available for less than

Competition is also intensifying, with two new networks - Orange and One-2-

Recent advertising campaigns by the One - being launched in the past year to compete with established operators Vodafone and Cellnet.

BT, which has a 60 per cent stake in Cellnet, is now adding new mobile customers more than two-thirds as fast as

it is gaining fixed-line subscribers.
With nearly five mobile subscribers
per 100 people, the UK boasts a higher
density of mobile phone users than any
other European country outside Scandinavla, where the figure is about 10 in

However the same trend is evident across Europe. According to the FT's minications newsletter, the number of mobile phone users has risen by 60 per cent across western Europe in the past year, with more than 4m nev subscribers added to networks.

#### Britain in brief



#### Hume looks beyond IRA ceasefire

Mr John Hume, leader of the mainly Catholic Social Democratic and Labour Party, yesterday called for talks with Sinn Fein, the IRA's political wing, to begin as soon as possible after a genuine end to TRA violence

As speculation continued to ount that the IRA may be about to call a general ceasefire, the air of optimism was reinforced by Cardinal Cahal Daly, leader of the Irish Catholic church, who said Northern Ireland could be on the brink of the best opportunity for peace in 25

But the mood was dam by uniquist leaders who volced fears that Britain might be preparing to make concess in return for a ceasefire.

Mr James Molyneaux, the Ulster Unionist party leader, is likely to raise such concerns with Mr John Major at a meeting expected to be held in a few days. Downing Street said last night however that there was no guarantee this meeting would take place this

#### Last-minute shipyard talks

Mr Roger Freeman, defence procurement minister, yesterday invited the sole prospective bidder for Swan Hunter, the Tyneside shipbuilder in receivership, to last-minute talks about its

Mr Freeman said he was very disappointed that Constructions Mécaniques de Normandie had rejected the MoD's latest proposals, concerning the price at which Swans' existing MoD frigates contract would be transferred

The MoD said: "Mr Freeman hopes that in the interests of the future of the yard, CMN will be prepared to meet him shortly."

#### Speaking from St Tropez yesterday evening Mr Iskandar Safa, principal shareholder in CMN's parent company, Soffia,

said he was willing to take up Mr Freeman's offer of a meeting but would first reach a decision on whether to pursue his acquisition of

#### Firms plan to relocate

More than a fifth of UK companies expect to relocate in the next five years, with Bristol, Edinburgh and Nottingham the top three choices for busine planning a company move, according to a survey published today.

Wigan, Sunderland, Bradford, Liverpool and Belfast were the least popular of the 40 cities considered by London ranked 18th behind

Manchester, Birmingham, Leeds and Newcastle-upon-Tyne

The survey, by Black Horse Relocation, part of Lloyds Bank, and Management Today magazine, received responses from chairmen, chief executives and other senior directors of 536 companies. Ten companies had annual turnovers of more than £100m 5,000 staff.

#### **Doctors oppose** pay changes

Doctors will step up opposition to proposals for performance related pay in the National Health Service at a special conference in London tomorrow. The British Medical

Association has called representatives from every hospital in the country to the meeting, to discuss an issue that is bringing the medical profession into renewed confrontation with the government. Ministers have declared that

a shift from the NHS's centralised pay structure to locally determined, performance based pay must start this year

But the BMA regards the timetable as "impractically short" and the principle of performance pay as "totally inappropriate to the work of the medical profession".

#### Mining assets sale attacked

The government is attempting to sell "worthless mining assets" to prospective buyers of British Coal, according to an industry newsletter published today.

Coal UK, a Financial Times publication, says the Department of Trade and Industry has included opencast assets in the sale hich were refused planning applications and appeals some

years ago. The worst affected of the five regions being put out to tender is central north, where 80 per cent of what the DTI has described as "fully proven" opencast reserves have failed to gain approval

according to Coal UK. The south Wales region cludes Colliers' Row, which Coal UK says was notorious as the only site to have been refused planning permission by an energy secretary after it had gained all other necessary

#### Review of Lady Archer's role

Lady Archer will not be "precipitately" removed from the Anglia Television board, following disclosures about share orders placed by her husband, Lord Archer, according to a director of MAI, which bought the company in January. However, MAI is reviewing

her actions in the days prior to the January 18 public announcement of its takeover of Anglia. Directors want to reassure themselves that she followed normal corporate procedures, as laid down in Stock Exchange rules and the Companies Act, relating to spouse's share dealings and the protection of confidential price sensitive information. Her husband, a former Conservative Party deputy

chairman, placed orders to buy 50,000 Anglia shares on January 13 and January 14, netting an £80,000 profit for an acquaintance, Mr Broosk Saib, when they were sold on January 18. Lord Archer's share orders were investigated by Department of Trade and Industry inspectors. The DTI last month decided to take no further action against Lord

# Hospitality plan floated for royal yacht

The royal family will only have a new yacht to replace Britan-nia if big companies are prepared to use it for corporate entertaining, according to a joint letter from the the Department of Trade and Industry and Foreign Office, which has been leaked to the Financial Times.

The letter, from Ray Mingay, director-general of export promotion at the DTI, asks the chairmen of big companies whether they would rent a new yacht for "promoting your products to potential buyers, receiving potential foreign buyers and signing ceremonies for prestigious contracts".

An almost identical letter from another official, also explicitly lists "entertaining foreign business partners and potential partners" as a use.

Mr Mingay continues: "The President of the Board of Trade [Mr Michael Heseltine] has asked that assessment of potential demand for a replacement yacht be kept discreet and be completed quickly." Replies are requested by mid-September.

The private sector can currently use Britannia during "sea days", when the boat is

sponsored export mitiatives. But the letter says that any more stringent commercial lines. Sent on the instructions of Mr Heseltine, it says "the charge for hiring the yacht would be required to recoup a proportion of the running costs." The letter estimates these running costs at £5m a

Companies would pay less it the boat were moored in the Pool of London than if they hired it for a "sailing event" or for sending it to "an overseas moored event".

The government is currently deciding whether to spend an estimated £60m on buying a new yacht to replace Britannia, which is due to be decommissioned in 1997. Though the DTI and the For-

eign Office want the govern-

ment to make the investment

they are meeting stiff opposition from the Treasury. Access to the new yacht would be restricted to "prestigious companies", so that its "exclusivity" will be preserved. One chief executive said: "I think its a marvellous idea. The royal yacht would be the glitziest corporate hospitality

venue in the world."



s seen at the weekend's Notting Hill Carnival in London Press

#### Carnival flavour in west London

Around a million people packed into west London yesterday for the final day of the Notting Hill Carnival, claimed Police said they expected at

by organisers to be Europe's largest annual street festival. least 800,000 people to crowd into the area - four times as many revellers as visited the carnival on Sunday.

The carnival, now 29 years old, was founded by Trinidadians and modelled on the famous carnival in Trinidad at the start of Lent. The budget for the carnival organisers is nd £250,000, while last year's budget for policing was in excess of £3m\_

ride at Blackpool's pleasure beach in northern England. The accident comes just

weeks after more than 20 people suffered slight injuries in an accident on The Big One the world's highest and fastest Six people were taken to roller coaster, also in Black-hospital with whiplash inju
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# Booking now for the Saxon

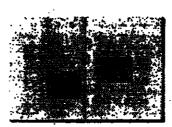
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Erskine Bowles, the top US small business policy maker, speaks to Richard Gourlay

# Change of style and substance

ness Administration, is ■ having a rough ride in Washington.

Bowles has been besieged by critics of President Clinton's healthcare programme. In particular, he is feeling the heat from small business lobbyists upset that he is supporting the president's call for the so-called "employer mandate", which would force employers to pay some of their employees' healthcare insurance premiums.

"We have had a big bump in the road called healthcare which has hurt the credibility of Erskine Bowles and the SBA," says Jack Faris, president of the National Federation of Independent Businesses. But the flak directed at the Bowles healthcare stance has obscured the fact that big changes both in style and substance are tak-

ing place at the SBA. There is little doubt that an agency, that was for years a back-water led by a string of failed senatorial candidates, has been enjoying something of a renaissance.

Bowles arrived in Washington as a political outsider. Armed with real business experience first at

hat do Intel, Apple Computer, Cray Research and Federal Express have in common? All are now Fortune 500 companies. But in their youth they also all received financial belp from a hybrid venture capital programme that brings the private sector together with the US

Despite recent problems, the Small Business Investment Company programme has proved a valuable way to get development capital to early-stage companies in the US but is a model that most governments elsewhere have

chosen not to imitate. The programme was set up in 1958 after a Federal Reserve Board study found that long-term loan and equity finance was not generally available to growing companies. Led by the Small Business Administration, the SBICs have invested more than \$10bn

rakine Bowles, administraMorgan Stanley, the investment
bank, and then at the North Carobank, and then at the North Carolina bank he set up to serve small and medium-sized enterprises, he caught the president's eye during the election campaign.

Bowles was appointed to the White House's influential National Economic Council, the first time an SBA administrator had been included at that level of policy making. "The SBA has historically been moribund," says Bowles. "For eight years Reagan tried to get rid of it and for four years Bush ignored it." Now, Bowles says, the SBA has direct access to the president and can act as his eyes and ears in the small business community. And the seat on the National Economic Council means the SBA can provide

an input before policy is made. The SBA's starting point is that smaller businesses are creating more jobs than big business in the US, a view that has altered little in the wake of recent studies which suggest this case is over-stated. The latest assault on this conventional wisdom came in March from economists working under the auspices of the Commerce Department who questioned if there was any rela-

(£6.4bn) of private and public funds

in 73,000 small businesses.
But despite the list of illustrious

associated, the programme has not

had a happy recent history. The

recession prevented many companies backed by SBICs from

maturing and distributing profits.

government-guaranteed debentures they had issued. Caught in a cash

The Clinton Administration is

now trying to revitalise the

announced a new funding

programme. Early this year it

At the same time the SBICs still

had to pay interest on the

names with which SBICs are

ity to create jobs.

But the administration remains

convinced that smaller companies are the engine of the economy. "My bottom line is jobs - and not just any jobs, good jobs," Bowles says. "The jobs are created by the private sector, by smaller businesses." But the SBA is trying to focus its scarce resources more on those companies most likely to create jobs.

Bowles's most immediate impact

has been to reduce the bureaucracy surrounding the agency's largest offering, the Loan Guarantee Programme, which is available to businesses refused credit by banks. "I have heard people say: 'I would rather throw up than borrow from the SBA'," Bowles says. A new programme, called Lowdoc, has dramatically reduced the time businesses need to prepare applications for smaller loans. With a simple one-page application for loans under \$100,000 (£87,000), rather than one that required the help of a consultant to complete, businesses are returning to the programme, Bowles says, a view supported by the small business lobby. The pro-gramme is now expected to guaran-tee more than \$5hn in 1996, against

mechanism that should eliminate

the SBICs' cashflow squeeze. The new government-backed security

preferred stock, or participating

security, on which payment will

retained earnings from their

investment, the 56 venture

capitalists wanting SBA licence

investments.

will be in the form of a redeemable

only be made when the SBICs have

According to Robert Stillman, the

SBA's associate administrator for

private sector commits to them the

government provides up to three.

And because the government

only looks for an all-in return of



Government as venture capitalist

Responding to a growing lament that small businesses are "most starved for working capital", Bowles is also making the SBA's working capital guarantee more flexible and more like a private-sector revolving facility.

The administration has also successfully supported the introduction of a more user-friendly version of its Small Business Investment Company programme, an unusual partnership between government and venture capitalists, described in the

Such enthusiastic application is something that has not been associated with the SBA. The change has

about 11 per cent on its investment, compared with one well above 20

venture capitalists, the overall cost

The scheme has congressional approval for \$550m until the end of

over five years to match the private

appropriation of more than \$3bn

sector's apparent enthusiasm, a

commitment Congress may not

Supporting its pitch to Congress, the SBA says SBICs have been a

cheap way of creating jobs. Policy

makers outside the US, who are

pondering whether an equity gap

exists in their countries, will be

interested in the Small Business

per cent sought by private-sector

of capital to the early stage

1995. But it may need an

have fully taken on board.

company is reduced.

the National Small Business United, a lobbying organisation which represents larger businesses than the NFIB. John Galles, its executive vice-president, says Bowles has "galvanised the SBA and given it a new sense of mission".

Faris says Bowles should be applauded for speeding up the Loan Guarantee Programme process and for moving SBA staff from Washington closer to the customer at district level. But he says small busies are far more concerned by the "alphabet soup of governmen agencies like the Environmental Protection Agency and the Occupa-tional Safety and Health Administration". By comparison to the ills

Administration's definition of a small business. The SBICs are allowed to invest in businesses that

are relatively well-established but

access to capital. Investments can

be made in companies with a net worth of up to \$18m or \$6m of

post-tax profits, although 20 per cent of funds are allocated to

With investment limits set at this

level, some observers say the SBICs

are doing little more than provide government-subsidised capital to

ventures that would have raised the finance anyway. Would Federal

Express, for example, which raised

about \$50m in venture capital in a

first tranche, really not have taken

off without an SBIC investment?

companies making up to \$2m.

the SBA believes they still lack

businesses, the SBA's contribution

is marginal, he says.

Bowles recognises the problem and has made the attack on regulations a priority. He has set up regular judicial reviews to look at the implications for small businesses of new legislation.

But whether his attack on red tape will be believed is open to question. The doubt stems, again, from his healthcare position which critics say would heap extra costs on the shoulders of small business.

"We were impressed (by Bowles' seat on the National Economic Councili until he started arguing on healthcare reform," says Faris. "We are not sure now he is a good thing for small business."

**Erskine Bowles, the SBA** administrator, says there is no way of proving that the SBIC programme is not replicating what the market is already offering. But he insists it will introduce equity into companies that would not otherwise have raised capital. The SBA is also trying to

strengthen the SBIC programme by requiring private-sector partners to put up more capital and by applying a more rigorous quality test to the venture capitalists applying for licences.

But in the most novel development, the new mechanism will give the government a share of profits in successful investments. One can only speculate how much higher the SBA's stock would have risen had this equity kicker been in place when the SBICs backed Intel, Apple and Federal Express.

RG

# Nutshell

#### **High-tech** conferences

Fans of high-technology companies, their problems and what they can bring to the world, have an embarrassment of riches this autumn.

A high-technology. small-firms conference en September 19-20 hosted by Manchester Business School aims to promote contacts between policy makers, industrialists and academics. The conference includes a

French contribution underlining the lack of advantages small companies enjoy as technology grows more complex, a US look at the role of Federal laboratories as industrial partners, and a "lesson" in high-technology new-product development from International Business Machines. On October 11, Warwick

iness School\*\* is holding a one-day seminar comparing the performance of high-technology companies on and off UK science parks. An HMSO publication on the issue will be published the same day.
\*Manchester Business School,

tel 061 275 6537. \*\*Warwick Business School, tel 0203 533741.

#### Cheque clearance system explained

A Barclays Bank pamphlet aims to explain the mysteries of the cheque clearing system for business customers.

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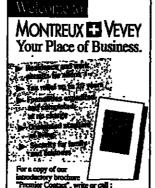
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way software programs are created.

Taligent is one of a handful of companies pursuing the goal of creating a set of rules that will enable software developers to create unique programs through the use of software components known as objects. Software objects will work together in much the same way that off-the-shelf semiconductor chips can be used to build a desktop per-sonal computer or a multi-billion

dollar supercomputer.
Object technology could have an enormous impact if it fulfils its promise of faster applications development. A survey of Fortune 1,000 companies by Taligent in 1993 found that, in many cases, the time taken to develop a custom application can eclipse the business opportunity it

is designed to support. "One large company told me that during the 12 months it would take to rewrite the software for their biliing systems, they would lose more than \$1bn [£600m] in revenues," says Bud Tribble, vice-president of SunSoft, Sun Microsystems' software subsidiary. The contribution of object technology would be seen as having made a "profound change

in our industry".

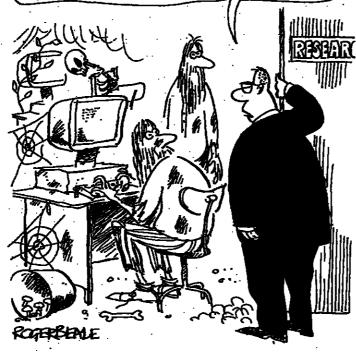
However, the development of object technology - in which software code is reused as much as possible by creating self-contained programs (objects) for specific tasks - has not been easy. The concepts were pioneered at Xerox's Palo Alto Research Centre. Xerox researchers developed SmallTalk, the first object-based software language, in

The first company to offer a commercial object operating system was Next Computer, founded in 1985 by Apple co-founder Steve Jobs. Next is currently the market leader with its NextStep software used by customers in financial markets such as Chrysler Financial, the credit arm of US car manufacturer Chrysler. and in healthcare markets by companies such as Abbott Labs.

Apple began work on its object software system, code-named Pink, in the late 1980s. It then formed Taligent with IBM in March 1992 to finish the project. Hewlett-Packard joined Taligent in early 1994 with the purchase of a 15 per cent stake. Microsoft, the world's biggest software company, has also been working on developing object-based software for the past three years Tom Foremski says the answer to making tailored software in record time is close at hand

# What's the object?

THE BOSS WANTS TO KNOW HOW MUCH LONGER THE NEW PROGRAM WILL BE



with its object linking and embedding technology. It plans to intro-duce an object-based operating system (code-named Cairo) in 1996, giving its popular Windows system software the ability to support

object software applications.
"We believe that object technology represents the industrial revolution of software development and that it will be essential for business application development," says Paul Flessner, senior product manager for enterprise computing at Microsoft. Many US computer companies plan to offer object-based software development systems believing that it will help sell hardware. manager for objects at Hew-

lett-Packard, says: "There is a tremendous demand for objects among our customers. The potential benefits to organisations from object technology are impressive." Jobs, for example, claims that an 18-month software development project could be cut down to two months or less with NextStep.

While there are many supporters of object-based software development, not everyone is convinced about the dramatically faster application development claims. "It's a standard salesman's pitch," says William Zachmann, president of Canopus Research. "Companies development systems believing that Canopus Research. "Companies applications. Even then, the cost/ t will help sell hardware. have been making such claims, benefits of using object technology. Tim. Bailey, strategic program, since the 1960s and 1970s. The fact might not be seen until well into is that developing these custom

amplications is very difficult. There are numerous layers of complexity that have to be dealt with. There is no guarantee that object technology will make this job easier." In order for object-based software

eral issues have to be settled. These include the definition of industry standards. The main standards effort is being led by the Object Management Group (OMG), an organisation with more than 420 member companies, and its Common Object Request Broker Architecture (Corba) standard. But there are marginated that the Corba etc. is no guarantee that the Corba stan-dard will be followed by everyone.

Microsoft, for example, is a mem-ber of the OMG and says it will

support industry standards, but it is nevertheless developing its own specifications which are different from Corba. Next is also hoping that its NextStep software will become an industry standard.

Uncertainty over which object technologies will succeed has led some companies to back several at once. Hewlett-Packard intends to offer object-based systems from Taligent, Microsoft and Next.

"We have an open object strategy," explains Bailey. "Different

markets are using different tools. Finance companies, for example, are using NextStep while communi-cations companies are using C++ [an object computer language]. We are following our customers."

Digital Equipment Corporation, the US computer maker, is pursuing a similar strategy. It has agreed to offer NextStep on its computers but it also plans to support Microsoft's object-based software.

Sun Microsystems has chosen to stick with one company and has made a \$10m investment in Next. It will combine NextStep with its own object technology called Distributed Objects Environment.

Education is another issue that must be considered. "Training and mentoring services are very impor-tant to ensure that customers succeed with object technology," says Richard Dym, vice president of marketing at ParcPlace Systems, the developer of SmallTalk-based application development tools.

Training is important because object-based software development represents a radical departure from the way most programmers have been taught to write applications. "Some programmers just aren't open to change and they don't want to be retrained," says Flessner. To undertake a serious object-

based software development effort, companies would need to retrain some of their programmers and then spend a year or more planning and developing the first object the second or third year.

# Building a new home for scientists

**Clive Cookson** and **Andrew Taylor** visit Glaxo's £700m drug research centre

Britain's biggest building project after the Channel Tunnel, Glaxo's 2700m drugs research centre (pictured right), is approaching completion in Stevenage, 30 miles north of London. Unlike the Chunnel, it is on schedule, below budget and there have been no fatalities nor

serious injuries.
Glaxo is creating the spacious 73-acre research campus on one of the last big greenfield sites left in south-east England. It will house 1,500 scientists and support staff who now work in overcrowded and out-dated laboratories in Ware, a few miles from Stevenage.

and Greenford, west London. The success of Glazo and its contractors in controlling the project's costs and timing, while maintaining an outstanding safety record, is an object lesson for the construction industry.

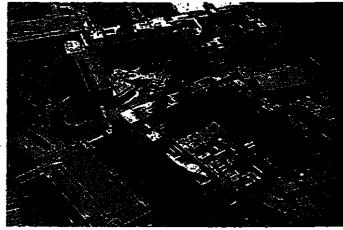
The Stevenage project exemplifies many of the recommendations for improved working relationships, made last month by Sir Michael Latham in his government-sponsored report on the building industry. In particular, the integrated management structure provides a high level of control over the design and construction proces

The design phase involved 350 engineers, architects and cost estimators, based in the London offices of consulting engineers Ove Arup. Sub-contractors used the project team's computer aided sign models to develop their own drawings. The London base is linked electronically to the Stevenage site, so that any last-minute design changes are immediately notified to everyone

"The project is managed like a company's board," says Richard Haryott, senior Arup director for the Stevenage project. "Glaxo acts as chairman, with the the other decision making."

professionals playing a full role in The overall architectural planner is the Kling Lindquist Partnership of Philadelphia, chosen because Glaxo liked the way it designed the company's US research headquarters in North

Carolina. The Stevenage campus is



emerging with the wide-open feel of an American science park, sandwiched between two of Britain's principal transport links, the east coast main line railway and the A1 trunk road. The landscape features a serpentine

lake, as well as 28,000 trees. The main building contractor is Laing Morris-Knudsen, a UK-US joint venture between Laing of London and Morris-Knudsen of Cleveland, Ohio. During the peak construction activity in 1992-93 LMK had 3,000 workers on site.

Glazo is particularly proud of the safety record which Malcolm Carne, one of the engineers supervising the project, says is five to 10 times better than the UK construction industry average. Glaxo executives were warned, when they decided in 1987 to build the research centre, that they would kill three people in the process if the safety performance

was just average.
So Glaxo, aided by Arup and
Laing, implemented rigorous safety procedures. The workforce was given generous incentives to work safely. For every million man-hours without a serious accident, Glaxo held a draw for a new Volvo car. "So far we've given away 10 Volvos," says Sir Mark Richmond, research

Completing the project under budget – with a likely final cost of £670m compared with the

budgeted 2710m - owes a lot to lucky timing, Richmond concede Cost estimates were made when the construction industry was working at full capacity, but many of the contracts were placed two or three years later when companies were cutting prices to win business.

Glazo executives may worry that shareholders see the Stevenage campus as extravagant even with its total costs slightly reduced, now that the company's great expansion of the 1980s is over and the pharmaceutical industry is entering a period of relative ansterity. However Roger Newton, bead of

chemistry, points out that Glazo's Greenford labs – many dating from the 1950s – "were at the end of their useful life and would have had to be replaced anyway. We also needed to build a new microbiology pilot plant". By putting everything on one site, Glaxo avoids duplication of equipment and saves many tedious road journeys between Ware and Greenford.

Sir Richard Sykes, chief executive, is unapologetic about "the benefits of bringing together all our research in the UK chemistry and biology – on one imposing site with first-class facilities. These people are going to be more productive when they are working together in an integrated way".

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#### **BUSINESS AND THE LAW**

#### Bit of a mess he failure of the European Environment Council to approve the proposed Packaging and Packaging Waste Directiv this June was a disappointover waste ment for environmentalists and the packaging industry alike. With the directive now consigned to the unfamilia conciliation procedure established under the Maastricht treaty, its future seems in

doubt, leaving member states

free to pursue their own, dispa-

rate management systems.

The directive, adopted by the European Commission in July 1992 and amended in Septem-

ber 1993, was intended to con-

trol the hazard presented by packaging waste, and to over-come the threat posed by indi-

single market. But, although a

harmonised approach to pack-aging control is generally wel-

comed by member states, it was blocked in the council in

March by Germany, Denmark and the Netherlands, which

believed the target waste-re-covery and recycling rates were not sufficiently stringent. Targets outlined in the direc-

tive are much lower than those

originally proposed and have some flexibility. For the first

five years after the implemen-

tation of the directive, targets

would be 50-65 per cent for

packaging waste for recycling, 29-45 per cent for recycling, averaged across all packaging

materials, with a minimum of

15 per cent for each kind of waste material. Targets for the

ensuing 10-year period,

intended to be higher, would be established under a review

Some friction over the issue

was avolded through provi-

sions that would allow upward

derogation from targets for

member states wishing to

exceed them - provided their measures did not distort the

single market, damage the

environment or hinder other

member states' compliance

with the directive, Downward

derogation would also be per-

mitted for Greece, Ireland and

Portugal, prompting criticism that the directive falls some

So why did the directive fail?

Several issues led to the

opposed not only flexibility of

targets, but also the manage-ment hierarchy of wasts con-trol. Under the directive; meth-

ods such as recycling, re-use and recovery, including incin-

eration with energy recovery,

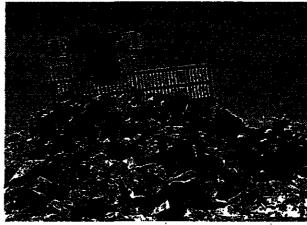
are considered equally accept-

able until environmental

se. Some niember states

way short of harmonication.

Diana Bentley on a disappointment for the EU packaging industry and environmentalists



household packaging waste, which producers must take

back or pass on to a state-an-

proved organisation under a

scheme administered by local

authorities. Incineration and

oped for commercial waste.

Industry Group, an indepen-

essary revenues. But the group

and many in the industry still

support the idea of legislation

to enforce compliance with the

lation is the German Packag-

The most controversial regu-

The Union's problems with package waste pile up

impact studies prove other-wise. While the European Partry body, agrees. "They certainly don't help create a level liament's proposal that an article specifically calling for playing field and some are viewed as thinly disguised prevention of waste was trade barriers." accepted, its suggestion that methods be listed in order of National regimes vary considerably. France's legislation introduced in 1992 addresses

as a tax on waste or landfill levies also proved controversial. "Some countries were loath to hand over tax-making power to the Council," explains Ms Suzanne Clabon, of UK law firm Clifford Chance. But it was Belgium, fearing the provision could threaten the future of its planned eco taxes, that dealt a death blow to the directive in June by forming a

Economic instruments such

preference was not.

blocking majority.
Ironically, while the EU prevaricates on the directive, various member states have addressed the subject, and diverse national measures have now intensified the need for harmonisation. The treaty base of the directive remains Article 100a, with its objective of protecting the single market, but currently, says Ms Clabon, "the number and nature of national management systems could well be a threat to the single market".

pen, an independent UK indus-

ambitious of the national schemes. To comply with the ordinance, many in German industry now subscribe to the Duales System Deutschland (DSD), which operates a collection and reprocessing system. Subscribers pay a levy to belong to the system under which their products are marked with an identifying symbol. Exporters of goods to Germany have little choice but to join the system.

Such is the success of the ordinance, which prevents incineration and landfills, that Germany is unable to recycle all the waste collected and has been forced to export some particularly plastics that are difficult to recycle. Problems have resulted for environmental controllers in recipient countries, and the difficulties may intensify when the targets for recovery increase to 80 per cent across the board in 1995.

"The German system is the most comprehensive, but also has problems," confirms Mr Bernd Meyer-Witting of Clifford Chance's Frankfurt office. 'As well as the problems with plastics, there is some confusion generated among consumers as to segregation of waste. But there are also cartel issues with organisations such as the DSD, are you setting up a national monopoly which can

Even if the directive proceeds, problems with national schemes may persist. Provisions regarding methods of achieving targets are general, leaving member states free to develop their own management schemes, although proposals for national schemes must be submitted to the Council before adoption.

The directive now lies in

limbo, with talks on its future recycling are permitted. Currently, rules are being develdue to start in September. "The matter will be procedur-ally complicated," says Ms Clao far the UK has avoided legislation and opted for a system of self-regulation. Plans of bon. Post-Maastricht, some directives failing to gain Council approval at this stage are subject to the "co-decision" the Producer Responsibility procedure, under Article 189B of the treaty, between the Council and the European Pardent body formed by private industry on government liament. "The concern is that prompting, propose a scheme the Council and Parliamentary to achieve a recovery level of representatives may not just 58 per cent of packaging waste by 2000 and the establishment consider the contentious issues but may reopen debate on the of an organisation to raise necentire directive," she says.

Parliament in this procedure ultimately has a power of veto over the directive. "Parliament is traditionally stronger on environmental issues and the newly elected Parliament may want to flex its muscles," says ing Ordinance of 1991, the most

#### FINANCIAL TIMES SURVEY

# MALAYSIA

Tuesday August 30 1994





# Full steam ahead

Showing few signs of strain, Malaysia continues to canter towards its goal of full industrialisation by the year 2020. Dr Mahathir Mohamad, the prime minister and driving force behind the country's modernisation programme, can point to a long table of impressive sta-

For the sixth year in a row Malaysia's gross domestic product expanded by more than 8 per cent in 1993. GDP growth this year is officially forecast at 8.4 per cent, though many feel it could be over 9 per cent. The Malaysian economy has been transformed: in 1970 commodities, mostly rubber and tin, made up the bulk of exports. In 1993 manufactured goods accounted for more than

70 per cent of exports. Malaysia, with only 19m peo-ple, is now the world's 19th piggest trading nation. It has become one of the hubs of the global electronics industry and manufactures a wide range of other goods, from motor cars to condoms, haute conture fashions to household furniture. There is virtual full employment and per capita incomes have risen from \$350 in 1970 to close to \$3,000 today. Dr Mahathir does not think the country is setting its sights too high. "We are not an ambi-

tious upstart. We are in fact very modest," he says. But while the short term outlook remains rosy, serious problems could put the industrialisation plans off course. Malaysia's development has reached a plateau. With severe labour shortages in many areas and wages rising, the country is facing growing competition from lower cost pro-ducers such as Indonesia, Vietnam and China.

Malaysia's economic growth has been driven by its success in attracting large amounts of foreign investment. Despite a pick up in investment approvals this year, investment in the economy is still well below the levels achieved earlier in the decade. Some potential foreign investors have become nervous

Malaysia is still developing at breakneck speed but problems lie ahead, reports Kieran Cooke

country has more than 1m

immigrant workers, many of

them illegal, labouring on plan-

tations, construction sites and

in low technology factory jobs.

Such a large immigrant work-

force is already posing a chal-

lenge to the country's delicate racial and religious balance

But the real squeeze on labour is at the higher, more skilled end of the market.

Many Malaysians still show a

strong reluctance to go into

higher education. The propor-tion of students aged 20-24 in

tertiary education is about 7

per cent, compared with 11 per cent in Indonesia, 16 per cent in Thailand and 28 per cent in

the Philippines.

Malaysia risks being caught

in a medium technology trap:

it lacks the all important human resources to follow the path into high tech of coun-

tries such as South Korea and

Taiwan. Allied to this is a seri-ous shortfall in R&D spending-present spending in Malaysia

is less than one per cent of GDP, compared with two to

three per cent in developed

countries.

Problems in the education

sector are mainly related to the

majority Malay community.

Senior officials now openly refer to a Malay educational crisis. By not investing in edu-cation the Malays risk losing

their stake in the country's

Traditionally the Chinese.

who account for about 35 per

cent of the population, exer-

cised a large degree of control

over the economy. In the early

1970s the government, in

response to serious race riot-

ing, introduced its New Eco-

nomic Policy (NEP). The aim

was to eradicate poverty and increase bumiputra, or indige-

nous Malay, participation in

and to its social services.

as Malaysia has allowed political disputes with both Australia and Britain to spill over into the business arena.

The next phase of Malaysia's development will be dependent on a transfer into more high tech, value added industries. One concern is that Malaysia's industrial base is too narrow largely dependent on a sector which is still overwhelmingly dominated by foreign multinational companies.

Electronic goods now make up about 40 per cent of Malay-

#### IN THIS SURVEY ECONOMY: inherent

strains of success. NORTH-ERN TRIANGLE: industrial launch-pad for three States. PENANG: electronic power-□ UNIONS: lack of clout

despite relative freedom to organise. MOTORS: a brother for Proton..... Page III D PUNISHING BRITAIN: embargo's impact. POLI-

TICS: quiet for now. SKILLS: Achilles heel of manufacturing base. PROFILE: Islam and electronics...... Page IV sia's total exports. While prog-

ress has been made in promo-ting linkages between Malay-sian based multinationals and local manufacturers, well over 50 per cent of the value of electronic exports is made up of imported goods. Another problem is the reluctance of foreign companies to transfer technology and so help Malaysia up the high tech ladder. Part of this is due to the multinational companies' wish to keep their core industrial processes captive. But it is also due to shortcomings within Malaysia.

Malaysia's education system has falled to keep pace with recent economic changes. The

Malays were favoured in education, in government jobs and other fields. They were given preferential and highly lucrative share allocations as the government embarked on a widescale late 1980s privatisa-tion programme. The NEP was a partial success: according to official statistics bumiputras

controlled more than 20 per cent of corporate activity by 1990, up from fewer than 5 per cent 20 years earlier. Dr Mahathir berates bumiputras for their "get rich quick"

mentality and failing to make long term investments. Yet government policies have tended to encourage Malay dependence on official favours. A new National Development policy (NDP), covering the years 1991-2000, puts more

☐ Contd. on facing page

AreaPopulation	329,75	8 sq km 3 million
Head of State		
Average exchange rate	1993 M32.3	(=( V->)
ECONOMY	2013	

	1953 '	1994 '
Total GDP (MSm. 1978 prices)	100,475	108,595
Real GDP growth (%)	8.0	8.1
GNP per capita (M\$, nominal)	8,350	9,134
Components of GDP (%) 3,		
Private consumption	46.9	45.9
Public consumption	14.3	14.5
Investment	36.1	37.3
Exports *	85.1	85.3
Imports 4	-82.7	-82.9
Annual average % growth in		_
Consumer prices (%)	3.8	3.5
Producer prices (%)	2.9	2.8
Manufacturing (%)	12.5	12.2
Services (%)	8.7	9.4
Employment (000's)	7.371	7,607
Unemployment rate (%)	3.0	2.8
Money supply (M1)	26.8 ª	na
Interest rate 4	5.64	กอ
Reserves minus gold (US\$bn)	19,4 7	na
Stock Exchange index (%) * "	98.0	42.8
KLSE Turnover (vol., units m) •	105,011.1	па
Trade		
Current acct balance (U\$\$bn)	0.2	0.6
Merchandise exports (US\$bn)	45.5	50.2
Merchandise imports (US\$bn)	40.4	44.8
Trade balance (US\$bn)	5.1	5.4
Main trading partners (%) *5	Exports	Imports
ASEAN	27.6	19.9
EEC	14.6	11.2
Japan	13.2	27.5
US	20.2	17.2
	<del></del>	

(1) 1993 figure is an estimate. (2) 1994 figure is a forecast. (3) 1978 prices. (4) Of goods & non-factor services. (5)November (6) 3 month Treasury bill rate, October only. (7) 1992 only. (8) Actual. (9) KLP composite, year end, 1994 year to date. (10) Jan to Oct 1993, share of world trade.

Sources: Economist Intelligence Unit, Economic Planning Unit Prime Minister's department, Datastream

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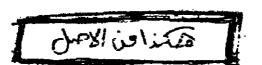
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INTERNATIONAL NETWORKING



Last year Malaysia's gross domestic product (GDP) grew by 8.5 per cent - the sixth successive year of plus 8 per cent growth. In the first quarter of this year GDP expanded by 8.6 per cent: predictions for full year growth now range from 8.2 to more than 9 per cent.

There have been warnings that the economy is in danger of overheating and that such high growth cannot be sus-tained. Some analysts worry about growing imports and a rise in consumer spending. Malaysia is also in danger of losing competitiveness with wages rising faster than productivity. The government has to struggle to attract more inward investment.

However, faced with a barrage of favourable statistics, such concerns are easily brushed aside by a government eager to promote the success of its economic policies.

The goal that has eluded economic planners worldwide achieving high growth while keeping inflation low - seems to have been achieved. Despite the years of economic expansion inflation has rarely risen

The long term goal is to achieve full industrialisation by the year 2020 - a plan called Vision 2020 by the government's convwriters. To meet that target Malaysia's economy needs to grow by 7 per cent in each of the next 26 years.

Dr Mahathir Mohamad, the prime minister, dismisses the idea that this is overly ambitious. He points out that for much of the period since Malaysia's independence from Britain in 1957, Malaysia's economy has grown each year by well over 6 per cent. 'I am confident that the targets of Vision 2020 are attainable. savs Dr Mahathir, "The Government and its successors are committed to this vision."

The engine of economic growth has been the wholesale expansion of an export orientated manufacturing sector. Over the past 20 years Malaysia has been transformed from a commodity based to a manufacturing economy. In 1971, more than 80 per cent of exports were commodities mainly tin, rubber and petroleum products. In 1993, manufactured goods formed more "There is no doubt that had we

**Driven by exports** can at least be sustained and fuel the continued expansion of the manufacturing sector. In the first quarter of 1994 output

> grew by 13.7 per cent. The public finances are in good order. For the first time in more than 30 years Malaysia chieved a balanced budget in 1993. High rates of domestic savings, at about 34 per cent of GNP, provide a ready source of funding for onward growth.

in the manufacturing sector

Kieran Cooke on the strains and stresses of economic success

"That we are on track for yet another robust year is very encouraging for us," said Mr Anwar Ibrahim, the deputy prime minister and finance ninister, in June. However, economic success has brought its problems. The

number one priority of Malaysia's monetary authorities has been the fight against infla-tion. Encouraged by the buoyant economy and a stockmarket that rose by nearly 100 per cent last year, massive amounts of foreign funds have washed into the country. Spec-ulators also pushed funds in, hoping to gain from a rise in the ringgit, the Malaysian dol-

bank, was forced to mop up M\$40bn in excess liquidity from the banking system last year in order to stop the build up of inflationary pressures in the economy. Malaysia has embarked on a

large scale programme to build

up its infrastructure. New air-

ports, power stations, roads

Bank Negara, the central

structed. Such projects, besides relieving some of the bottlenecks that have built up in the economy, will further fuel growth. However, imports of expensive capital equipment more than MS6bn. ciated with such projects -

A strong revival in domestic spending has increased economic activity but has also spurred a rise in imports. A Bank Negara prediction made earlier this year of a 1994 MS9.3bn surplus in the merchandise account of the balance of payments is generally

particularly in relation to yen

enominated Japanese goods -

have caused balance of pay-

widening deficit in the services account - projected at more than M\$15bn - is likely to lead to a current account deficit of

Of more concern in the long tural problems within the economy. Chief among these is a shortage of labour which in turn has led to upward pressures on wages. Till now the government has managed to dampen wage demands by, on the one hand, keeping down inflation and, on the other, by importing hundreds of thousands of workers, mostly from Indonesia and Bangladesh. In many sectors of Malaysia's plantation industry immigrant

workers make up more than 60 per cent of the workforce. Officials realise that such

dependence on immigrant labour could cause long term social problems. Using unskilled imported labour to keep down wages is unlikely to be an option as Malaysia seeks to er a new, more skills-orien esedo batet.

Already there are signs of a videning wages/productivity gap. A recent survey found that nationwide wages rose 7.3 per cent in the first six months of 1994 while productivity increased by only 2 per cent. We will do everything we can to make sure the welfare of workers is protected," says Mr Anwar. "But we do not want this to be at the expense of productivity or Malaysia losing its competitiveness against its

On one level Malaysia's lead ers realise that the country is longer an ideal low cost labour intensive investment site. "If you are looking for nology, Malaysia is not the place for you," Mrs Rafidah Aziz, the trade and industry minister, told US investors We are looking for jobs with more brain power required, not

However, Malaysia's manufacturing sector has yet to mature into a high tech, skills based industry. The country has severe skills shortages. It spends very little on R&D. It base: electronics and electrical appliances account for about 60 per cent of manufacturing exports. Much of the electronics industry, dominated by foreign multipationals, is still devoted to labour intensive assembly work. About two have import ratios of between 60 and 80 per cent.

A 66 per cent drop in foreign investment last year was shrugged off by the government as only a temporary phenomenon. Investment from abroad did indeed pick up in the first six month of 1994, though to nothing like levels earlier in the decade. The government is now emphasising the need to encourage investment from domestic sources: but a lot of foreign expertise and capital is necessary to develop high tech industries.

The Malaysian economy is running ahead at full steam. The big question is whether it has sufficient strength to stay the distance and complete the race to full industrialisation.

#### ■ THE NORTHERN TRIANGLE

# Where three states meet

Penang is now trying to market itself as the industrial hub of a "growth triangle" linking the northern peninsula of Malaysia, north Sumatra in Indonesia, and the southern states of Thailand. This growth triangle following an earlier southern

version based around

Singapore, was endorsed by all three governments last year. The third meeting of the Northern Growth Triangle (NGT)governments this December, flanked by meetings of husiness leaders, will discuss a report from the Asian proposals for improving transport links and labour mobility and establishing

cross-border industrial estates

The NGT is meant to be business-led but the three governments have rather different attitudes to their business organisations. The Thai government is happy to let the business leaders take control, but the Indonesian government is more intent on keeping control. The Malaysian government lies somewhere in the middle with an important role in promoting the NGT taken by the Penang state

Mr Koh Tsu Koon, chief minister of Penang, and most influential Penang business leaders, see the NGT as a means of channelling labour intensive operations out of Penang and into northern Malaysia or southern Thailand. Meanwhile, Penang hopes to become a regional centre for business services, research and development and high value-added production. Some business leaders fear that the NGT may aim too high and disappoint

"It would be nice if we could abolish all tariffs and borders and have completely free movement of capital, goods and people. But it takes decades to get anywhere if national sovereignty is at stake, just look at how long it is taking to harmonise regulations in the European Union", warns one Penang business leader.

He believes that the greatest potential in the short-term is in sorting out some of the transport bottlenecks. Currently, for example, there are no flights between Penang and Southern Thailand and there is no direct sea link linking Penang with Medan. Freight has to travel all the way down to Singapore and back up again.

He also believes that travel restrictions could be removed allowing for much more free This is not the same as free movement of labour.

There is already a large flow of immigrant labour - much of it illegal - from the periphery to fast developing regions like Penang. But the Malaysians worry about being swamped by foreigners and hope that the NGT might help to slow the flow by providing more jobs in

The Asian Developm Bank report, which will form the basis of December's meeting, is expected to concentrate on the following themes: Highway development, air services, streamlining of regulations and tariffs, a gas pipeline, labour mobility, cross-border industrial estates and tourism.

**David Goodbart** 

Indonesia-Malaysia-Thailand Growth Triangle						
legion	Ares (sq icm)	Population ('000)	Persons/sq km			
lorthem Malaysia	32,257	4,658	144			
outhern Theliand		2,840	136			
lorth Sumatra	127,070	13,667	108			
OTAL	180,138	21,165	117			
			Source: official makes			
			COURT OF THE PARTY			

#### Penang is Malaysia's electronics power house, says David Goodhart

# Where chips eclipse smelters

"I suppose you want to know when the hubble is going burst?", said Mr Striff Nazir, boss of the old tin smelter in the middle of Pensing.

ers quality

It was not an unreas uestion. The small island off run down gradually so that its the west coast of the Malay owners (ultimately the Gensian pentingula base for the man group Preussag) can sell past 10 years, been the most dynamic growth region in Malaysia and one of the most dynamic in the world.

West control is to being run down gradually so that its the Gensian pentingular base for the many group Preussag) can sell off a prince city centre site.

The smelter is not, however, immune to the symptoms of over-heating all around it. Min the west coast of the Malay-sian penningula has; for the past 10 years, been the most dynamic growth region in Mal-

dynamic in the world.

Average attaual growth has been over 10 per cent since 1988, usually at least two percentage points above the national average, and even when foreign direct investment started to falter last year in the country as a whole it was scarcely dented in Peneng, the centre of Malaysia's lectronics industry . Mr Nazir had just returned

from a ceremony to launch a new programme linking Penang's top electronics compa-Hewlett Packard, Hitachi, Bosch, etc - to local nesses. At the ceremony, Mr Koh Tsu Koon, Penang's chief minister, and Mrs Rafidah Aziz, Malaysia's trade and industry minister, both emphasised the importance of deepening Penang's industrial revolution and making it less dependent on low value added assembly operation

Twenty years ago Mr Nazir's tin smelter was still the largest employer on the island. Now its 500 employees are out-numbered by the 3,000

□ Continued from facing page

emphasis on growth and market forces as a means of ach-

ieving some form of economic

equilibrium between the races.

But recent figures show that,

since the advent of the NDP,

the bumiputra share in the cor-

There is concern that, despite job shortages, a sub-

stantial portion of the younger generation are not working or

studying - threatening the

country's coward growth. Sim-

ilar fears are expressed by

other Asian governments. The

west serves as a convenient

whipping horse and is blamed

for spreading moral decay and indiscipline. In reality the

younger generation is less

receptive to constant calls for

more hard work and is not so

willing to kowtow to its elders. In Malaysia's strictly hierar-

chical system, there is little

porate sector has declined.

employed by dozens of elec-tronics plants. The smelter is still one of the biggest in the world, producing about 30,000 of the 150,000 toques of annual world output, but it is being

Finance minister Anwar Ibrahim:

remained with tin and rubber.

we would be a basket case

today," says Dr Mahathir.

"Manufacturing saved us."
One of the achievements of

the Malaysian economy is that

the expansion in the manufac-turing sector and double digit

rises in exports of recent years

winds were blowing through

key export markets. Overall

output in the manufacturing

sector expanded 12.8 per cent

last year while the value of

manufacturing exports rose 26 per cent to M\$90bn.

Now, with the economic out-

look in the west improving,

Malaysia is confident that the

export growth of recent years

Nazir, for example, is trying to hire 60 extra labourers for his unionised plant at a reasonable rate of close to M\$500 a month. So far he has found

"The bubble will not burst here because the state governout some of the air", he says. It is, for example, discouraging labour-intensive investments in Penang, especially from the Taiwanese. Companies such as Dastek, which is shifting disk drive production to China, are being encouraged to move to lower labour cost parts of Malaysia or to

other countries in the region. The Northern Growth Triangle (NGT) – the agreement between the governments of Malaysia, Thailand and Indonesta to improve cross border economic activity - should courage this exodus.

"We are becoming a great annual value added per deal more pickey about the employee of only Mil 4,000 per kind of investor we want in year, placing it way behind Penang," says Miss Lim Ross basic industries such as flour Li, managing director of OCT smilling.

consultancy services, part of the Penging Development Cor-poration. She said this while sitting in the dark, thanks to one of the power cuts common

ane of the power cuts common in a region knocking up against capacity constraints.

Such constraints on power supply as well as transport capacity will not be resolved by upgrading Penang's production base. Nor will such upgrading diminish the growing pollution problem which has made much of the sea around the island unfit for tourists to swim in.

Nevertheless, Penang will remain the focus of Halaysia's belated transition to higher value-added production. As wage rates continue to rise sharply, some of the generous investment subsidies are phased out (part of the Gatt agreement on world trade), and shifts in exchange rates become less favourable, the region has little choice.

stantially above levels elsewhere in the country, with basic wages (excluding many fringe benefits, but including overtime) for skilled workers around M\$800 a month. Yet the electronics sector, which employs about 60 per cent of the region's 170.000 man turing workers (out of a total workforce of 450,000), has an

a whole, lacks graduate scien-tists and skilled technicians. Mr Ismail Mohamed Salleh, of the ISIS think-tank, says in a recent paper on the electronics industry in Malaysia: "While some products are close to the forefront of technology ... there has been little deepening in the product design and technologies of the products them-selves."

cost of more than M\$5m.

about 40 per cent of the country's electronic sector,

although that is down from as

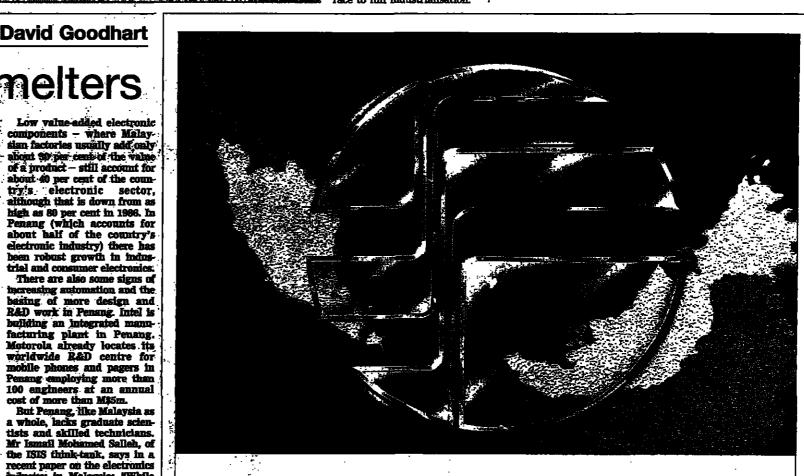
R&D work in Penang. Intel is

worldwide R&D centre for

But Penang, like Malaysia as

Penang is still booming, but as one business leader put it: "We have reached the end of the road on our first phase of industrial development and we do not yet have the people for the second phase."

bevy of corporate leaders in



#### THE LEADING EDGE IN MALAYSIA

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  - No.2 Malaysian Research, 1994 Extel Survey



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# **Hectic pace**

for questioning the direction of government policy. People feel there is a lack of transparency and accountability. The government has control

over most of the media. Dr Mahathir's United Malays National party (UMNO) has dominated government since: independence from Britain in 1957. Dr Mahathir has been in

power since 1981. The past year has seen its share of scandals, but Dr Mahathir's government has escaped unscathed. Bank Negara, the central bank, disclosed in March that it lost M\$5.7bn (\$2.22bn) in foreign currency transactions last year. That followed foreign exchange losses of nearly \$10bn in 1992, though the overstderably higher. Mr Lim Kit Slang, an opposition leader, described the misjudged currency dealings as the "the

enquiry into the affair, and the prime minister in a strongly critical of what is called money politics. Yet the small and divided opposition says that it is by Mahathir's UMNO party, through political handouts at successive elections, which has successive elections, which has successive the growth of political control of the strongers of the growth of political control of the strongers of the growth of political control of the strongers of the growth of political control of the strongers of the growth of political control of the strongers of the growth of political control of the strongers of the growth of political control of the strongers of the growth of the growth of the strongers of the growth of the strongers of the growth encouraged the growth of political corruption.

Dr Mahathir advances the idea of Malaysia lac, tirelessly.

pursuit of business opportuni-ties. The problem is that polititions are often felt to be more important than company balance sheets.

The Kuala Lumpur stock market, now southeast Asia's

rency dealings as the the market, now sommest capgreatest financial scandal in biggest in terms of market capMalaysian history. Italication, rice by 88 per cent
Bank Negara's government last year Part of that rise was
some semi-semior officials resigned into to Malaysia's strong ecoBut the government quicking monitoring mentals and the
closed the book on any official activities of well managed,
enquery into the affair the most fively stocks were those inost fively stocks were those known less for their corporate expensive than for their connections to sendor politicians.

Michardiae leaders, flush

with the success of recent years, are confident that they are steering the country on the right path But their carefully land plans could go seriously off course unless pressing economics; social and political

drop was attributed to the rise

in the value of the yen and the

consequent increase in import

Mr Nadzmi Mohamed Saileh

a Malaysian who last year

replaced a Mitsubishi execu-tive as Proton's managing

director, says that Proton does

not have sufficient economies

of scale to make 100 per cent local content a realistic propo-

sition. The costs would be too high," says Mr Nadzmi.

instead Proton may well opt

That appears to be already

under way. In mid year Dr

Mahathir made a trip to the

Peugeot Citroen works in

France. Latest reports are that

Citroen will soon begin supply-

ing engines for a variation of

Proton is believed to have

also investigated parts supply

from Mercedes Benz in Ger-

many and General Motors and

Ford in the US. Rover was also

apparently thought of as a sup-

plier but dropped due to the

ban on giving government con-

tracts to UK companies.

for global sourcing."

the Proton.

David Goodhart inquires why trade unions are not more militant

# **Compliant workforce**

Malaysia's trade unions ought to be flourishing. The country has full employment and rising wages, and the unions are freer than in most countries in the region. But the leaders of the the main union centre - the Malaysian Trade Union Congress - are subdued.

"Things here are not as bad as in many countries, we have semi-free trade unionism," concedes Mr G Rajasekaran, MTUC secretary general. Union membership has even been rising, especially in the manufacturing sector, but it is not keeping pace with the growth in employment and has fallen sharply in the traditional stronghold of the rubber

Including members of the two smaller union centres, the Malaysian Labour Organisation (led by the main bank employees union) and CUE-PACS, representing public sector workers, there are about 700,000 trade union members in Malaysia. That means about 15 per cent of the eligible work-force is organised.

"We are doing better than some countries like the US, but we are not happy with our performance and we should do better," says Mr Rajasekaran. One of the biggest problems for the unions is the growth of immigrant labour - mainly from Indonesia and Bangladesh. Immigrants have caused a big drop in union membership in construction and the plantations, where they are often paid at lower rates than Malaysian workers.

How much the low membership is also the result of government restrictions is hard to judge. Mr Gordon McColl, in the Singapore office of the International Confederation of Free Trade Unions, reckons that the MTUC would double its membership from 400,000 to 800,000 if it faced no restric-

The government believes in consensus around its own model of "guided" politics and economics and makes no secret of its dislike for adversarial trade unionism. Government ministers labelled union leaders "traitors" when they supported the call in international forums for minimum world



Mr Anthony Yeo, secretary general of the Ministry of Human Resources, says that complete freedom of association could add to costs "because of unscrupulous trade union activity".

On paper the trade union recognition laws are liberal. If seven workers petition for a Unions has to consider it, and if 50 per cent plus one of the relevant employees of a company are members of the union the employer has to recognise the union

In practice, however, it is extremely difficult to form a new union and the unions are engaged in a constant game of cat and mouse with the Registrar. Applications are regularly turned down. The textile union wanted to organise the Mattel plant which makes Barbie dolls, but was told it was a toy and not a textile factory.

Similarly, when workers at a Kimberley-Clark factory wanted to join the print and paper union the Registrar told them it was the wrong union but refused to tell them which would be the right union saying it would be "unethical" to

Most controversially, the national unions are not allowed to organise in the electronics sector, which employs nearly 200,000 people and is the fastest growing sector. "About 70 per cent of the workers are women and they tend to be docile," says Mr Abdul Razak Hamid, head of the textile union in Penang.

Mr Yeo defends the government's position: "We believe that enterprise unions are the most appropriate for this sec-tor, although it may be that at some point in the future we dopt a different position."

Mr P Arunasalam, general secretary of the electrical workers union, says that most of the enterprise unions wither away after a while, and some employers even prevent them getting started. But his biggest complaint is that the definition of electronic is constantly shifting to include lots of electrical workers who should be

If extending organisation is hard, going on strike is harder. Mr Hamid, of the textile union. says: "We can go on strike, but then again we can't." The last proper strike in his sector was

The law can require compulsory arbitration instead of a strike and there is no right of appeal. In practice that means no strikes. The closest union members get to industrial action is picketing in their lunch breaks. Recently, for example, employees at Unilever in Kuala Lumpur started a lunch-time picketing campaign after a 9 per cent pay claim was rejected.

The union leaders do not deny that wages and working conditions have been improving. But they are caught between claiming that wages have not been rising as fast as the employers maintain and

claiming credit for the rises that have been achieved. Mr Arunasalam says that wages have gone up 27 per cent over the past three years in the electrical sector in factories covered by collective agreements (which have built-in 10 per cent annual increments), compared with only 15 per cent

in non-union plants. Mr Rajasekeran believes, like the government, that wages should rise in line with productivity but claims that many workers have been getting reasonable rises only by working excessive overtime and points to the much higher basic wages in Singapore.

And Mr N Balakrishnan, an official of the electrical union in Penang, takes issue with the World Bank figures which show average per capita income at around US\$3,000 and says that 70 per cent of workers earn less than US\$2,000. But Mr Balakrishnan sounds

dispirited. "Consumer culture is now such a big thing, workers are just interested in working and spending, they are not interested in tmion activism.

Workers in unionised plants

have better job security. But Malaysia does not have a hire and fire industrial culture and employment rights and health and safety regulation are both reasonably good, at least on paper. An economic downturn might help improve the standing of the unions, but the union leaders fear that any success would bring with it even tighter restrictions.

alaysia's car industry is a symbol of the country's ambition to ioin the league of developed nations. It is also the foundation of the country's industrial-

isation programme, writes KIERAN COOKE. The first car to be manufactured in Malaysia, the Proton, rolled off the assembly line in 1985. Last year Proton produced a record 116.611 cars at its plant outside Kuala Lumpur. The Proton, made in co-operation with Mitsubishi of Japan, now has a a more than 70 per cent share of the domes-

tic car market. Last year more than 17.000 Protons were exported - the bulk of them to Britain. Proton is now making plans for marketing a left hand drive version of its cars in continental Europe. It is also expanding its presence in the region: more than 2,000 Protons are likely to be exported to Indonesia over the next year in exchange for Malaysian purchases of Indone sian made aircraft.

Plans are well advanced for a jo<u>in</u>t venture Proton assembly plant in the Philippines. Malay-sia and Vietnam have signed preliminary agreements for cooperation in setting up a Vietnamese car industry. In May, Malaysia. Japan and China signed a memorandum of understanding for the manufacture and distribution of car components in China.

Encouraged by the success of Proton, Malaysia is now embarking on its second national car project. In July this year Perusahaan Otomobil Kedua, or Perodua, rolled out its first four seater 660cc passenger car. The Kancil, or Mouse Deer, is being produced in co-operation with Daihatsu and is modelled on the Japanese group's Mira car.

Perodua says that 100 Kancils per day will be produced by the end of the year: produc-tion will eventually rise to 45,000 annually. There are plans to export the Kancil in the near future.

From the beginning, Dr Mahathir Mohamad, Malaysia's prime minister, has been the driving force behind the growth of the country's car industry. Dr Mahathir sees the car sector as the catalyst for industrialisation: industries will grow to service the car sector and eventually diversify into other activities.

This has been happening. More than 70 per cent of the aysia. In an important step

THE MOTOR INDUSTRY

# For Proton, a brother



Proton's new Persona 1.5 GLSk spearhead of UK sales drive

toward more self sufficiency Proton is now beginning to cast its own engine blocks. A widespread network of industries and vendors have become involved in the car manufacturing proces

However the Proton's core technology and high value items, including much of the transmission system, are still imported from Japan. Dr Mahathir has criticised the Japanese for not transferring chnology fast enough.

We have to learn from the Japanese," says Dr Mahathir. But at the end of the day we have to be independent, in the

Malaysia's exports

1993 Total exports: RM 116bn

Total exports: RM 4.0bn

Rubber 1.6%

OWGes 8.0%

Tin 24.8%

sense that we can develop our own car. We have to try to get the technology from somewhere, somehow...the Japanese step by step philosophy is fine, but the steps are being taken too slowly." The Japanese say that Malaysia still lacks some

car industry has been a costly exercise with millions of dol-Proton's pre tax profits dropped 9.3 per cent to

Some feel that Malaysia is being overly ambitious in embarking on a second car project. Part of Proton's success in the domestic market has been due to high duties essential skills and must invest more in training and R&D. The formation of a national

lars of public funds poured into Proton. Despite a 35 per cent increase in turnover last year 32m. Much of the profit

Other 25.8%

Other 12.4%

Metg 15,2%

placed on the import of other cars. The new Kancil will be considerably cheaper than the Proton and Malaysia's premier car maker could see its market share decline. Proton admits that with the domestic market at near satu-

ration point, it has to export to survive. However, Proton's Japanese partners are unhappy at the prospect of the Malay sian car competing with their own makes in markets such as In Britain, one of the main

attractions of the Proton is its price. The UK prices of Protons start at about M\$27,500 (£6,990). In Malaysia the cheapest Proton costs more than M\$30,000. Under the European Community's generalised system of preferences (Gsp), Proton has full exemption from UK import duties. Continued Gsp exemption is vital for UK sales. If Proton starts making sig-

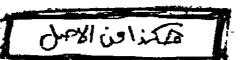
nificant inroads into the car market on the continent, Europe's motor manufacturers might argue for a revision of Malaysia's Gsp status or demand the removal of Malaysia's protective import duties.

Malaysia's car industry has travelled a long way in the last 10 years. Progress could be slower in the years ahead.

# **F** malaysia OF MALAYSIA ACROSS 6 CONTINENTS

# Beyond flying people to faraway places, Malaysia Airlines And to that end, we have come a great distance. This year, we Soon, we will reach over 100 destinations in 36 countries. Such is our Taking our voice and aspirations to the destinations we serve. continents. In fleet size and passengers, we are Southeast Asia's largest. charting new horizons. And flying high the spirit that is Malaysia.

has a greater task. Flying the spirit of Malaysia around the world. became the first global airline from Southeast Asia, spanning 6 role in nation-building. Paving new routes, reaching new places,



t has not been a good year

for British/Malaysia rela-tions. Then again Britain has not been the only one on

Kuala Lumpur's blacklist: Australia also has problems. Businesspeople have come to realise the considerable opportunities in catering to the needs of such a fast growing

and ambitious country as Mal-

extremely sensitive to outside

For Britain, the trouble

tarted with the controversy in London over the granting of a \$234m aid package to Malaysia for the building of the Pergan dam and its linkage to a long a submadefunce contract.

1988 21bn defence contract

signed between the then Brit-ish prime minister, Mrs Mar-

Pergau project was an unsound one or that it was too

On top of this came an alle-

gation in a British newspaper

that a British company had

tried to offer bribes to Dr

Mahathir. Though the newspa-

alaysia prides itself on its political stabil-ity. The national

front, composed of parties rep-

resenting the country's various

racial groups but dominated by the United Malays National Organisation (UMNO), has gov-

British rule in 1957.

€ n :

2.30

12.00

A 7.5%

2000年,刘建邦经验

, malausia

opinions or criticism.

#### MALAYSIA IV

Kieran Cooke looks at the impact of the trade measures against UK and Australia

# Pique, pride and pragmatism

or had been involved, the prime minister interpreted it aysia. They have also had to grow used to the risks in broader terms - a personal involved in dealing with a gov-ernment which is often insult and an attempt to undermine the integrity of Malaysia's leadership.

"We, believe the foreign media must learn the fact that many developing countries, inclinding a country led by a brown Moslem, have the ability to manage their own affairs successfully," said a government statement at the

As punishment for the garet Thatcher, and Dr Mahathir Mohamad, the actions of the British press, Kuala Lumpur imposed a ban Malaysian prime minister. Malaysian officials angrily on giving government contracts to British companies. rejected allegations that the Malaysia clearly felt that the British government had the power to censure the press. The official British reaction to the ban only seemed to add to hand, Mr Major described the Malaysian action as being "not remotely justified": on the per did not allege that Dr

the massed ranks of British business in laying the blame for the Malaysian action squarely on the British media. There have been some perplexing aspects to the ban. From the beginning it has been difficult to gauge exactly

what Malaysia has wanted in order for the ban to be lifted. "All I want is the truth," said Dr Mahathir. But then the British media is incapable of telling the truth." The Malaysian government insisted the ban only applied to public sector contracts. But the line between the public and private sector in Malaysia is blurred. Arbitrary rulings have been made on who is and who is not affected by the ban.

ne British companies have

found they have lost contracts with Tenaga Nasional, the

semi privatised electricity util-

ity. Others have continued to

work with Petronas, the state

oil and gas conglomerate.

tional airport being built south of Kuala Lumpur – at present southeast Asia's biggest infrastructure project with a price tag of between M\$9bn and M\$12bn. An Anglo Japanese consortium which included Balfour Beatty, GEC and Trafalgar House, charged with managing the project, has now been disbanded and several years of preparatory work has been aborted. However, British/Malaysia trade has not been reduced.

exports to Malaysia went up by more than 80 per cent in the first six months of 1994 to 2666m while Malaysia's exports to Britain dropped 24 per cent to 2581m. Ironically, part of the reason for the increase in Britain's exports to Maleysia is thought to be the delivery of defence equipment associated with the controversial 1988 defence deal between

Australia's problems with Malaysia began after Dr Mahathir decided not to attend a meeting of leaders of the Asia Pacific held in Seattle late last year. In an off the cuff remark to reporters, Mr Paul Keating, Australia's prime minister, described Dr Mahathir as a recalcitrant for his non attendance.

The dark clouds of Dr Mahathir's anger burst, not for the first time, on Australia. Various retaliatory actions were threatened. Australian business was warned that it could lose contracts. A great deal of diplomacy was needed before relations improved. Recently both countries

have been in trouble again with Kuala Lumpur. The Malaysian leadership objected to British press reports con-cerning alleged illegal banking payments in Malaysia. Kuala Lumpur has reacted angrily to remarks made by Mr Keating about Malaysian logging com-panies practising "environDr Mahathir has always put

himself forward as an economic pragmatist. "I'm somenever to busines said earlier this year. Howthat Malaysia's actions have done it more harm than good. The country is still deper for its growth on outside investment and technology. Business does not take kindly to being used as a punch bag in arguments it has no part in. There have been rumours that the British ban will be lifted soon. However, no one is lifted soon. However, no one is Mahathir, piqued at what he perceived to be British high-handedness on issue. from trade to high fees for Malaysian students in Britain instituted a "Buy British Last"

It took several years of careful diplomacy in order for that



The political arena is quiet, but not as somnolent as it appears, writes Kieran Cooke

# A consensus born of progress

erned since independence from General elections are likely to Dr Mahathir Mohamad. prime minister and UMNO early next. UMNO seems certain to maintain its firm grip.

president, has been in power since 1981. Dr Mahathir influences virtually every aspect of Malaysian life. Not only is the 67 year-old

prime minister seen as the main architect of the country's soaring economic growth. The government's hold over the media ensures that Dr Mahathir's views on a range of issues - from moral decay and economic decline in the west to religious correctness at home are constantly emphasized.

Economic success has brought about a large degree of political complacency. Consti-tutional amendments which again strengthened the powers of the executive at the expense of the judiciary were rushed through parliament earlier this year with scarcely a whimper of public dissent. The political

Lift up the political carpet

and things are not quite so orderly. The main points of conflict are found not between the country's various political parties but within UMNO itself. Since the party of the majority Malays controls virtually all positions of power, any internal upheaval is likely to have profound consequences for the country's future. In UMNO elections late last

year Mr Anwar Ibrahim, the 47 year-old finance minister, was declared party deputy president. Subsequently Mr Anwar was appointed deputy prime minister - and the most likely beirto the Mahathir mantle. Three of Mr Anwar's sup-

porters, all in their 40s, were promoted to leading UMNO positions in the party elections.

be held either later this year or rival for the UMNO post, was unceremoniously pushed aside. Suave and urbane, his conversation peppered with literary and scholastic references, Mr Anwar is said to represent the Malay baru, or new Malay - modern in outlook, a man

capable of carrying through

the ambitious Mahathir vision

of making Malaysia a fully

industrialised nation by the

At times the Mahathir/Anwar duo seems to be a carefully balanced alliance. At other times their opinions seem to conflict. Dr Mahathir emphasises economic goals, constantly urging Malaysians to work toward achieving higher growth figures. Mr

Anwar warns that people must

not be obsessed with material

growth and must set more time aside for intellectual pursuits.

Dr Mahathir rails against the

Mr Ghafar Baba, Mr Anwar's achievements. Mr Anwar cautions Asians not to be arrogant or to be blind to problems in their own societies.

> Mr Anwar firmly denies that there are any political prob-lems between himself and the prime minister. Yet analysts fael that tensions are inevitable between the ambitious younger politician and an elder leader who seems to have no wish to retire. Allied to this are the increas-

> ingly visible strains that have developed hetween Mr Anwar and Mr Daim Zainuddin, a close confident of Dr Mahathir and a considerable power behind the scenes. Mr Daim is a former finance minister and functions as a special economic adviser to the government as well as UMNO treasurer.

As Dr Mahathir's trusted lieutenant in the 1980s, Mr Daim helped rebuild UMNO finances after a damaging

backed the rise of several Malay businessmen. Political analysts say Mr Anwar has become angry with Mr Daim's attempts to influence government and so promote the interests of his business associates. Yet as long as Mr Daim has the ear of Dr Mahathir, Mr Anwar can take little action.

While UMNO's top echelon the rank and file has been voicing growing concern about corruption within the party and a nationwide cult of vote buying and so called "money politics". The party fears the alienation of a wide section of the public from the political process. In June, UMNO held a special convention to discuss such

"If we accept money politics in the party, if corruption becomes a culture in UMNO, if our leaders gain positions through bribery, we will have a government that is filled with and led by corrupt criminals," Dr Mahathir told delegates. The convention agreed that in future any member involved in money politics would face expulsion from the

Stamping out such abuses will be hard. Opposition politiclans accuse UMNO itself of making the most flagrant use of money in the election process. Earlier this year Dr Mahathir's national front finally gained control of the local administration in the east Malaysia state of Sabah. Sabah's former rulers not only accused Dr Mahathir's administration of witholding much needed development funds in an attempt to coerce people into voting for the government party. They said the national front was buying votes to the extent that it was "dropping

money out of helicopters". Other forms of money notimainly due to historical factors. Traditionally Malaysia's Chinese community, which makes up about 35 per cent of the population, has controlled much of the country's economy. In the early 1970s the government launched its New Economic Policy (NEP), designed to give "humiputra", or indigenous Malays, a greater share in the country's wealth.

tics are deeply ingrained.

Malays were favoured in government jobs, in education and in business. Under a wide ranging privatisation programme which got underway in the late 1980s Malays were granted preferential and highly profitable share allocations. UMNO itself became directly involved in the private sector, controlling a complex web of businesses stretching into most areas of the economy. A new corporate elite emerged, but-tressed by close ties to leading

Mr Daim insists that since a reorganisation of UMNO finances in 1968, the party has not had any business interests. Mr Terence Gomez, a Malaycorporate investments, says that while UMNO may no longer have direct control of companies, the connections are still there.

"A stage has been reached when a business elite, made up of bumiputras and their Chinese partners and with close connections to leading politicians, is able to dominate a large segment of corporate life. It can also seriously influence stock market activity."

The close ties between the business world and leading politicians make it difficult to put a stop to money politics. Such ties also cause resentment among UMNO members who feel the party has lost its way. They feel decisions are made by an urban based, wealthy group with little commitment to the lot of the Malay commu-

Dr Mahathir's position is secure. But with his party undergoing a crisis of identity, there could be plenty of politi-

be colourful banners fluttering outside what cent per year, while inflation seems like every other hovers around 4 per cent. Malaysian factory signify an increasingly rare phenomenon: a seller's market for labour.

The banners invite passers-by to walk-in interviews for a wide range of production jobs, with no previous experi-ence required. The lack of Malaysians taking up the invitations is, however, stoking up wage-pressure and intensifying the debate about how the country shifts from assembly-based operations - premised on heap labour - to a high wage, high value-added, manufactur-

The country has reached full employment (unemployment this year will be below 3 per cent of the 8m workforce) six years before planned, with jobs growth outstripping labour force growth 3.2 per cent to 2.8

The difficulty of finding workers is a constant refrain of Malaysian businessmen. And when workers are found they often have that bothersome self-confidence associated with full employment. "When they come it is not us interviewing them it is them inteviewing us about fringe benefits," says an exasperated Chinese business

Not surprisingly, wages have been rising rapidly although there is some dispute about how rapidly. In the electronics sector, official surveys show

n Penang, one feature imme-

diately strikes the visitor -a state of the art electronics

plant with a Moslem prayer

wages rising at over 10 per

But electronics workers are an elite benefiting from big productivity increases and booming demand in the mainly foreign owned plants. They comfortably top the monthly average earnings table on M\$886, ahead of furniture workers. On some estimates average monthly earnings for the 200,000 electronics workers are over M\$1,000.

The picture for the economy as a whole is less dramatic with the Manpower Department estimating that earnings increased by only 5 per cent in the economy in 1993, compared with 8.7 per cent in 1992. But it is not clear whether those figures capture the growing array of fringe benefits or the 10 per cent annual seniority increments usually built into collec-

tive agreements. Collective bargaining only covers about 20 per cent of the workforce, but the figure is closer to 50 per cent in the manufacturing sector which has just overtaken agriculture, forestry and fishing as the biggest category of employm now covering about 25 per cent of the working population.

Nevertheless, Malaysia's rather dispirited trade union cannot claim much of the credit for the full-employment generated wage pressure. One measure of that pressure is the dramatic rise in job-hopping. Immigrants fail to ease skilled labour shortage, says David Goodhart

# **Factories' Achilles heel**



Textile operative: full employment was achieved six years early

Mr O K Lee of the northern branch of the Federation of Malaysian Manufacturers, says annual labour turnover is now about 45 per cent in Penance in response to the tight labour market employers have been allowed to bring in more foreign workers – mainly from Indonesia and Bangladesh – usually on five year contracts. This has helped to check wage pressure, especially in the rub-

sion was to believe the Penani

they could guarantee uninter

rupted electricity samply. The capital and energy intensive Komag plant consumes about 5

per cent of the island's power

authorities when they said

ber plantations and in con- income country - and therestruction where the 1.5m official immigrant workers are strongest. But neither immigrant work-

ers nor the latest government initiative to restrain wage increases, expected in next year's budget, can alter the fact that Malaysia is no longer a cheap labour economy.
The World Bank classifies
Malaysia as an upper middle

fore no longer a developing country - and its GDP per capita is nearly \$8,000 (using purchasing power parity) just above Greece, the poorest European Union country. For that reason some industrialists view the future in rather apocalyptic terms. "This situation is a trap. We cannot

stand-still because we will

gradually lose more and more

labour intensive foreign investment to lower cost countries in the region. Yet we cannot move forward at the speed required because we do not have a sufficiently educated workforce," says a businessman, who refuses to be named. The argument, which quickly becomes a political one

(hence the anonymity), runs like this: Malaysia inherited from Britain an elitist, arts-inclined, higher education system and very little technical or vocational training infrastructure This weakness was however, compounded by the quota system designed to promote the advance of the ethnic Malays and the compulsory use of Malay as the language of instruction at all levels, both introduced in the early 1970s. The quality and quantity of the education provided in Malaysia by seven universities, two colleges and five polytechnics, at a total annual cost of about M\$1bn, has thus been inadequate. The result has been about 60,000 Malaysians. studying abroad at any one time (many of them never returning), one of the lowest per capita ratios of science and

engineering graduates in the

graduates preferring arts sub-jects), and only 7 per cent of Malaysians in the 20-24 age group in tertiary education compared with 28 per cent in the Philippines and 16 per cent in Thailand.

region (with 63 per cent of

As a result, research and development claims only 0.8 per cent of GDP (and most of that in agriculture) compared with 4.7 per cent in Japan and 4.3 per cent in Germany.

How much de-regulation to improve standards is achievable without upsetting the delicate ethnic balance which underpins the country's stability? The answer appears to be quite a lot. The prime minister, Dr Mahathir Mohamad, has relaxed the rules on using English, encouraged "twinning" with Western universities, and promoted a big expan-

sion in private colleges. More broadly, the government machine, like the Singaporean machine 15 years ago, is starting to focus single mindedly on the transition to a high value-added economy. Mr Lay Ah Oon, of the Malaysia Industrial Development Authority, says that labour intensive projects from foreign investors are now being turned away, some companies are even being encouraged to relo-cate in Thailand or China, and there is much greater emphasis on high local content. This policy emphasis is

already making a mark. For

every M\$1m of investment approved by MIDA last year seven jobs were generated compared with 14 jobs in 1989. There is some patchy evidence of more sophisticated manufacturing techniques and more research and development being done in Malaysia, backed by generous R&D grants and tax breaks.

To improve vocational and technical training a levy system was established last year under which all manufacturing companies with more than 50 employees have to pay 1 per cent of their wage bill to the Human Resource Development Fund (a total of M\$61m last year) which then subsidises incompany training. Also, the government plans to build a further seven polytechnics by the year 2000 and is aiming to double to 8,000 the number of annual science and technology graduates.

Even before it starts producing the workers required by a high value-added economy, Malaysia will remain more attractive than the nessimists concede. Labour may be more expensive than some other countries in the region but Malaysia has reasonable infrastructure, good basic education and widespread use of English. Nonetheless, even some of the optimists concede that its slow recognition of the need to upgrade means that the country still faces a difficult decade

David Goodhart inspects US disk-maker Komag's Penang operation

# Islam and gigabytes

It would be hard to find a better symbol in Malaysia of of M\$270m. the successful marriage of Even within the electronics Islam with modernity and the market, the idea that inspires Anwar brahim (now the dep-uty prime minister) when he was a hot headed left-wing nationalist. We used to go on demonstrations together. sector Komag is rare. Most of Penang's electronic companies recalls Mr Tan.

the prime minister, Dr It would also be hard to find a better example of the kind of manufacturing plant which Makiysia desperately requires more of as it attempts to shift from labour intensive to high value added production. Komag, the US based processing it, sells it for about advanced disk manufacturer,

says its Penang plant is the lowest cost disk producer in the world.

For Malaysia it certainly sets new standards of technological sophistication in clean room technology and automation. The plant, which is more like a hospital than a factory with busy people hurrying about in surgeon-like uniforms, currently produces about 20,000 1 gigabyte disk drives per day. The value-added contrast

with its next door neighbour, a textile plant owned by Eastern Knitters, could not be more striking Eastern employs 1000, people to generate annual sales. of M\$50m; Komag employs 600 people to produce amual sales

import products which have had 60 to 70 per cent of the value added already in Japan or US, with the Malaysians merely finishing and testing. Komag, on the other hand, takes a piece of aluminium with a hole in the middle costing about US\$1.40 and, after

The managerial brains behind the plant is a typical product of Malaysia's cosmo-

pelitan elite. Mr Thian Hoo Tan, 46, worked in the US for 18 years before returning to Malaysia to manage the plant. Before that he was at the University of Malaysia where he roomed with several people who are now in the cabinet or chief ministers of Malaysian states.

two or three small power cuts each month, which costs us about US\$100,000, then every now and then we have a big one which costs more like **US\$500,000,"** he says.

While such connections can do no harm, the main reason Komag chose to locate in Pento scrap the normal job catego-risation for such a plant which starts with a low wage operaeng is the presence of so many customers including Seagate. Western Digital, Hewlett Packtor and moves up through engineers and technicians to western rights, Hewlett Rack-ard and Conner.

When we were setting in-the plant (which opened in early 1997) a made several good decision and one bad one.

Tecalls Mr. Tan. The bad deci-

Mr Fan created instead inches value added jobs", a manual worker/technician grade and an engineer/supervi-"The manual technicians

have to be able to understand some physics and chemistry as well as work with their hands.
When recruiting we put people through four to five hours of strikent world and practical lesis and only bired 9 out of

"This was a big gamble but it has paid off, and because the workers understand what they are doing they can use their creativity to improve the process," he adds.

They are paid well above normal rates. A manual techniclan receives about M\$900 basic per month but with fringe benefits and social secu-rity costs Komag about M\$1700 per month.

Mr Tan says that real wage costs are rising at over 10 per cent per year, and effectively doubling every five years. Employees also benefit from a company-wide profit-sharing scheme which hands out 9 per cent of world-wide profits. The sult is that the young technicishs - average age is only about 25 - remain unusually loyal to the company.

mulated deficit as early as April 1998 and we were making money one and a half years ahead of schedule," he says. Komag, believes Mr Tan, represents the manufacturing future for Penang and Malaysia. "As wage costs surge more and more simple assembly operations are planning to move out. I know of at least four companies which have drawn up plans for re-location," he says.

But he warns that Malaysia does not, currently, have the human resources to replicate the Komag model on a wider scale. At national level he thinks that the practice of encouraging "twinning" with colleges from Australia or America is not working because too many people are doing the "wrong" subjects like management and account-



Manager Thian Hoo Tare the brains behind the plant

ing and not enough are doing general pool of vocational technical and science subjects. "Don't forget when we were recruiting we employed only 9 out of 100 applicants; this country has got to work on the other 91," says Mr Tan. Through the Penang Skill Development Centre the company is helping to raise the

In a few months Komag will be drawing on that pool. The 230,000 sq feet of plant is being supplemented by another unit of 130,000 sq feet, and the number of lines will grow from three to seven. It is the answer to Dr Mahathir's prayers.

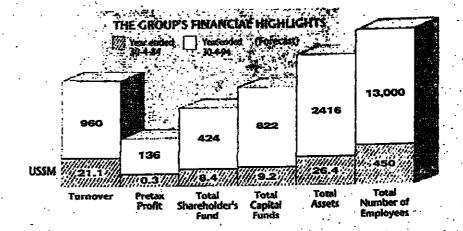
# STRENGTH IN DIVERSITY

Derjaya is a Malaysian-based con-D glomerate with assets totalling over US\$2.4 billion, turnover of US\$960 million, and a staff strength of 13,000.

Both in Malaysia and in countries beyond its native shores, Berjaya has... business success.

Now we seek further opportunities for successful joint-venture partnerships, both in our core businesses as well as in new, hitherto unexplored business arenas.

. If you are considering entering or demonstrated a unique formula for expanding in Asia, talk to us: we may be the right partner for you.





#### MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

In recent years, Malaysia has seen an unprecedented growth resulting from many factors including sound management by our govemment, the country's good work ethics, a readily trainable workforce and strong investors' confidence.

Berjaya has also responded to and benefited from this conducive business climate through expansion, acquisitions and new start ups.

Our commitment to building

expertise and quality through training and embracing technology, has given us a strong foundation to respond to new opportunities, not just in Malaysia, but overseas too.

We will continue to develop our core businesses and respond to our government's plans and visions for Malaysia.

As we embark on another important phase of growth, we will continue to pursue business alliances

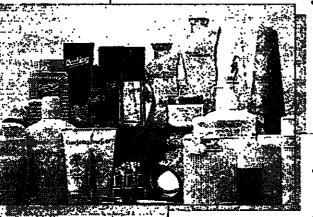
through joint ventures and partnerships. I believe we are good business partners, so if you have the desire to expand into Malaysia or have international ventures, do give us an opportunity to work with you.

Yours sincerely,



#### **CONSUMER MARKETING**

- Singer Malaysia: wide range of household products under world-renowned Singer brand.
- Unza Malaysia: body care, household cleansing & detergent products.
- Cosway Malaysia: direct-selling of cosmetics, health supplements and fashion accessories.



**HVN: Exclusive** licensee to distribute Warner Bros, Walt Disney, Sesame Street and Columbia Tristar home video products.

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Management (HK): Lottery management services in China, Philippines & other

**LEISURE** 

Over 20 hotels, resorts, golf and recreation

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privately-owned casino to operate in Puerto

clubs in Malaysia and other regions.

Mirage Universal De Misiones SA: first

Construction and operation of Kishkinta

Berjaya Mount Royal Beach Hotel, Sri Lanka.

Berjaya Le Morne Beach Resort & Casino,

- Berjaya Mahe Beach Resort & Casino - Berjaya Beau Vallon Bay Beach Resort

- Berjaya Praslin Beach Resort.

transportation and leisure cruises.

Vacation time-sharing packages.

De Iguazu, Argentina.

Mauritius.

Berjaya Hotel, Fiji.

& Casino

3 hotels in Seychelles:

Theme Park, Madras, India.

#### BERJAYA GROUP BERHAD

**BERJAYA INDUSTRIAL BERHAD BERJAYA LEISURE BERHAD** BERJAYA SINGER BERHAD BERJAYA SPORTS TOTO BERHAD TOPGROUP HOLDINGS BERHAD UNZA HOLDINGS BERHAD Berjaya Holdings (HK) Limited INTERNATIONAL LOTTERY & TOTALIZATOR SYSTEMS INC.

#### **OTHER INTERNATIONAL VENTURES**

#### • China:

- infrastructural, property & real-estate development such as Berjaya Shenyang International Golf Club, Beijing Zhongcai Printing Co. Ltd and the 2nd Nanjing Bridge across Yangtze River.
- - International Lottery & Totalizator Systems, a NASDAQquoted company, manufacturing computerised ticketing systems and lottery management.
  - Roasters Corp., franchiser of Kenny Rogers Roasters Restaurants.
- Satellite Technology Management, Inc., a NASDAQquoted company, specialising in the design, manufacture and marketing of satellite and radio communications products.
- Roadhouse Grill, Inc., operator and franchiser of Roadhouse Grill service restaurants.
- Solomon Islands
- Logging rights to over 600,000 hectares of forest
- Development of timber processing complex comprising sawmills, moulding and kiln drying plants, plywood mills and particleboard mills
  - Hong Kong:
  - Hong Kong Stock Exchange. Asia-Pacific: **Exclusive rights for Kenny Rogers**
  - Berjaya Holdings (HK) Ltd, a property
  - investment company quoted on the
  - Roasters Restaurant, an American fastfood chain.



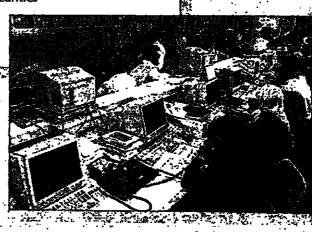
- Hyundai Motor Co. (Korea) to manufacture light commercial vehicles. indah Water
- Konsortium: 28 years concession rights to upgrade and operate a nation-wide sewerage treatment
- Timber Division: timber concessions and manufacture of top quality timber products.
- TopGroup Holdings: Manufactures and distributes commercial
- and home air-conditioning systems. Owns the heating, ventilating, air-conditioning and refrigeration division of
- LeRun Group: manufactures bicycles for Malaysian and export markets.
- Textile Division: fully integrated textiles and garment manufacturers.

#### PROPERTY

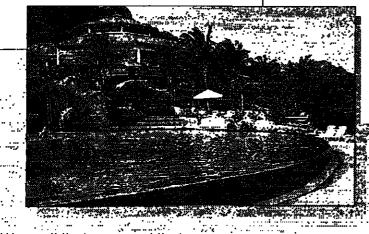
- Commercial properties.
- Development of residential and commercial properties. Development of holiday resorts, golf courses and
- country clubs.

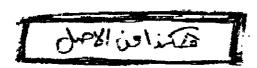
#### **FINANCIAL SERVICES** Insurance companies:

- Berjaya General Insurance
- Berjaya Prudential Assurance Securities brokerage firms:
- Inter-Pacific Securities
- Eng Securities
- United Traders
- Securities.



For full corporate information, please contact: Berjaya Group of Companies, Group Investor Relations, Level 16, Shahzan Prudential Tower, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. Tel: 603-242 2622/242 3155. Fax: 603-244 4334. Telex: MA32411 BCBKL.





# MTV lends an ear to the baby boomers

"Hope I die before I get old" ran the too-often quoted line, "gotta leave a good-looking corpse" urged another; but nobody actually meant it. Rock music has not only come of age, it is staring at its sagging jowls in the mirror every morning and preparing to apply for its free bus pass. And yet, the myths of teenage fer-your and adolescent yearning die

"Rock music is part of the passion of being young," explains Bill Roedy, president of MTV Networks Europe, and he should know, the 24-hour music channel reaches 60 million households in 33 countries, a joyous trans-global celebration of mindless riffing and instantly for-

gettable pap.

But where does that leave the armies of baby-boomers for whom it all meant something more? Faced with the choice of Rolling Stones decrepitude and the infantile whingeing of freshly-forged heart throbs. where does one turn? Do all roads have to lead to Phil Collins?

Roedy is sympathetic, and has an eye for a gap in the market. Next month, MTV Europe is launching VH-1 in Britain, a new channel designed to cater for the 25-49 yearolds who form the bulk of today's rock audience. Its slogan - "Music That Means Something" - plays unashamedly on the nostalgia felt by the generation who once thought that Country Joe and the Fish were responsible for the US defeat in Vietnam, although at least 50 per cent of the channel's output will be new music.

VH-1's director of programmes, Brent Hansen, promises there will be no room for rap, hip-hop, techno or heavy metal. "We are aiming for people who may occasionally watch MTV, but almost feel like visitors.



Bill Roedy: peddling nostalgia

They need their own heartland. their own emotional base. They don't want to be patronised, and they want to keep in touch with what is happening. We are also talking about the generation which grew up with punk - they have owned the music world."

The success of oldie music magazines such as "Q" and, more recently, "Mojo", as well as 18 fruit-ful months of market research have been encouraging signs for the new channel. Hansen says the research identified a musically literate audi-ence anxious for hard information and pointers to new trends. "They have gone into all the megastores, they have finished buying their greatest hits compilations and now want to find out more."

Programming will be much less frenetic than that of MTV, with experienced presenters (which include Nicky Horne, Paul King, David Hepworth and Tony Vance) providing background and context

to the records they will be playing. "If we feature a country-rock band, we might look at The Byrds and Gram Parsons, without being too train-spotterish about it," says Hansen. The channel is currently nego-tiating to acquire rights to the "Old Grey Whistle Test" archive, and live footage from the pre-video era will also be used.

One unwanted side-effect of the

new channel may be to pull young viewers away from MTV. "That is not our intention, although we are aware that, with young males, there is a heritage angle to this," says

Paul Du Noyer, editor of "Mojo" (slogan: "The Magazine for People who know Rock'n'Roll") says his readership includes many in the 18-25 age group who are keen to discover for themselves some of the less familiar names of the past, such as Nick Drake or Tim Buckley. "They believe that the great music of the past has an enduring validity. Consequently, the audience for rock music is ever-broadening."

A happy meeting-point, then, for advertisers, record companies, disposable income and consumers eking to spice up their entry into middle age. Rock music has achieved the extraordinary and enviable position of constantly redefining its own standards and borders. On an early pilot of VH-1 shown to groups of potential view-ers, a presenter refers to a "classic" Rolling Stones track from 1981. The truth is that, by 1981, most of the group's fans considered them already to be about 10 years past their "classic" years. So what does that make them in 1994? Old, old

Peter Aspden



Hippy heaven: Michael Chance as Oberon

# An Indian dream from Australia

Edinburgh Festival

omebody must have told the Australian Opera about Edinburgh's new Festival Theatre. Originally called the Empire, it was re-built after a fire in 1928 and its handsome art deco interior survived decades of use as a bingo-hall to be lovingly restored and re-opened this

How kind of the Australian visitors to bring a show that was in period. A portrait of George V smiled down from above the proscenium arch. Vignettes of the King and Queen Mary adorned the boxes. The stage picture was of the British Empire in its heyday – a military bandstand in the India of the Raj with stiff-upper-lip officers and elegant ladies taking the air in the dusty heat of the late

evening.
No - it is not surprising if the opera is hard to guess. Neither Britten nor Shakespeare had imperial India in mind when writing A Midsummer Night's Dream. The Austra-lian Opera production is by Baz Luhrmann, the director of the film Strictly Ballroom, now signed up to 20th Century Fox. He is not property and this production has pre-dictably proved to be a hot ticket down-under - a vibrant and colourful crowd-puller.

The choice of India for the setting was a moment of inspiration. I used to think of A Midsummer Night's Dream as the innocent among Britten's operas, whereas these days it seems as much about sexual repression as any. To see it as a clash of cultures is an interesting gloss on the story: instead of Athenians lost in an enchanted wood, we have the starched and inhibited English having their passions liberated in sensuous, headily-perfumed India.

Putting this exotic world of enchantment on stage must have been a designer's dream. Catherine Martin and Bill Marron have come up with a riot of ruby reds and midnight sapphire blues, luxuriantly bejewelled costumes and shafts of moonlight (lit by Nigel Levings). Never mind that it looked more like the India of the Mahariwelcome change from the current fashion for opera productions in allpervading grev.

Having set the scene so skilfully, Luhrmann was ready to probe the emotional issues at the heart of the opera, but did he do so? In the tender scene where Tytania and Bottom the ass settle down on the bower for a mutual scratching session (to music from Britten of surprisingly sensual lassitude), no suggestive glint of hidden desire broke the surface. Luhrmann just played the scene for laughs.

And that – unfortunately

what happened through most of the opera. Elisa Wilson's Helcna was a nymphomaniac in jodhpurs, mercilessly pursuing an army officer Demetrius, who was strongly sung by Paul Whelan, Ian Bostridge played Lysander as a chinless civil servant in love with the limpid upper-class Hermia of Kirsti Harms caricatures all. When Puck says, "What fools these mortals be!", one

had no option but to agree. The rustics formed the amateur dramatics group from the local army base, a sit-com assortment of marching men in khaki shorts, with Michael Martin's gormless Flute as camp goof. Every old knockabout pantomime routine was in their army rule-book, but at least they had brought a good band along to play. The Scottish Chamber Orchestra, in red army uniforms on the bandstand, was expertly conducted by its moustachioed sergeant major, Roderick Brydon.

Subtle this show was not, except perhaps for the fairles. I could have strangled Tyler Coppin's camp-isnot-the-word Puck long before the end, but Kathryn McCusker looked beautiful in Tytania's sari and Michael Chance's Oberon, with waist-length hair and pointed fingernails, was the epitome of Indian culture as hippie heaven. As his haunting counter-tenor led the final ensemble, Britten's music worked

Richard Fairman

# Abstract virtues

nce invented, abstraction was never going to go away. Rather like the wheel, it was just too useful. It made life so much more simple and straight-forward. Other preoccupations may come and go, conceptualism command our critical attention for a while, post-mod-ernism shoot across the skies, figuration be apparently revived; yet always, there will be serious artists making abstract paintings. Speculation about the death of abstraction will always be just loose talk.

But it is one thing to continue active, quite another to remain important. Is the currency of abstract painting, beyond the mere fact of its survival, worthy of our critical attention? On present evi-dence the answer is clearly yes.

The paradox of abstract painting is that the apparent simplicity of choice presents the artist with real difficulties. The external references by which the figurative artist persuades us of his merit may be absent - and the abstract painter may not relish them - but the underlying constraints common to all painting remain.

Order, structure, colour, form and surface, light and space, are there as ever to tease and confound him, and all the more so by the fact that he has brought them on himself. A single stroke of paint laid upon the bare canvas will conjure up a visual space that extends within and beyond that surface-plane as far as the imagination will take it. Each further mark will qualify and elaborate that space, each colour hold itself in its particular spatial and formal relation to the next and to the painting as a whole. The paint itself must be manipulated and controlled, the painted surface sustained in its entirety: and the eye must be held here and shifted there through the whole complex and subtle course of the work.

The show at Flowers East, which fills the galleries on both sides of the road, is of particular interest not just for representing so many of the most important of our abstract painters, but for doing so by recent and substantial examples of their work. It is a generous survey, an effective collaboration between a number of London's principal gal-

Two London shows celebrate a side of British art which has never been fully appreciated, writes

William Packer

leries and burdened by no narrower principal than the quality of the work. Alongside the ebullient and expansive expressionism of Albert Irvin and Patrick Heron, or the heavy calligraphic figures of John Hoyland, or the dense impastos of Gillian Ayres and Alan Gouk, are set the quietist near-minimalism of Edwina Leapman's grey stripes, or Ian Tyson's sparely stated rectangle in blue and white, or Trevor Sutton's exquisitely worked orange

square set in a red disc. There are any mumber of beautiful things - from Noel Forster, Prunella Clough, Sean Scully, Carol Robertson, Alan Green, Clyde Hopkins, Sandra Blow, John McLean, Michael Ginsborg. There are no duds. As for omissions, I think of Barry Cooke, Peter Joseph, John Hubbard - but it is a measure of the show's success that they are so few. The new Richard Smith is a particular treat, for apart from a small show at Feigen in the summer, he has been seldom seen in London in recent years.

Overall this is an exhibition of

museum standing, which one of our vaunted public institutions might have put on and toured abroad, had it had the nerve or wit. Almost as much may be said of the show, from the collection of Robert Loder that has come to Atlantis from the Bede Gallery at Jarrow. It has a more historic dimension, going back to the 1960s, and a more personal and miscellaneous character, with one or two artists such as Hoyland, McLean and the late Brian Fielding being especially well represented.

The contemporaneity of the Flowers show gives it a more immediate relevance, but that at Atlantis is none the less worth seeing. Together they celebrate a quality in British art that we have never fully appreciated, let alone celebrated properly ourselves. Were we really so much in awe of American and Continental abstraction all those years ago that we could not see what was under our noses? Technical probity, imaginative authority and a manifest lack of histrionics and self-indulgence: such virtues shine out in a naughty world, yet here they are commonplace.

British Abstract Painting: Flowers East, 198 & 282 Richmond Road, Hackney E8, until September 11. Lead and Pollow - the Continuity of Abstraction: Atlantis Galleries, 146 Brick Lane, Whitechapel E1, until September 11.

# Roots of Cunningham and Morris

Moderato has been the

ark Morris, whose sustained one-to-one relationships larity. In both, we are seeing broad breed with one another and then L'Allegro, Penseroso, in duets. In Cunningham's world, and probing views of the world. We get divorced, and so on . . . This is by contrast, people are seen as pri-vate soloists above all, each dwelling in his or her private space:

Moderato has been the glory of this year's Edinburgh Festival, has been known to say that the living choreographer he admires the most is Merce Cunningham "whom I love more than I love God". Could two choreographers be less alike? And yet I am more sure that these two are great artists than I am about any other artists alive. Now, only six days after the last performance here of L'Allegro, the Edinburgh Festival (after 15 years) has brought back the Cunningham company. The two works they are dancing are by no means Cunning-ham's finest - whereas Morris has never surpassed L'Allegro - and yet they plunge us deep into the extraordinary experience that Cunningham alone affords.

But let me first proceed a little further with the Morris-Cunningham compare-and-contrast exercis Morris's works take their roots from music, and they keep drawing from music, whereas Cunningham's exist independently from the scores that accompany them. In the Morris world, people belong first and foremost to a large community; though they have some existence a soloists and in small ensemble groups, they seldom develop any

solos are frequent and powerfully individual, and duets more remarkable yet in the many ways they show interaction between two utterly distinct lives. Morris's dancers are vividly

human, and he often excels in showing a large ensemble of people all sharing the same vital human impulse. People, however, are only one part of Cunningham's vision, and his stage seems often to be a view of flora and fauna - now as seen by some travelling safari camera, now through the window of an aquarium. Morris's rhythms are lyrical, full of cantilena fluency, and often marked by a thrillingly regular pulse; Cunningham's rhythms are irregular, staccato, unpredictable, sustained by the coolest but most powerful current of phrasing. Morris's works have beginnings, middles, and ends: whereas Cunningham's usually give us the illusion that the curtain and the wings are preventing us from seeing a longer and larger moving canvas.

Perhaps, however, the differences between Conningham and Morris only reveal a more profound simi-

see human energies refined to exceptional levels of mastery. We are, in fact, watching classical art, which almost nobody else in the world makes any more. Cargo X. the first and shorter of the two works shown here this year by Cunningham, is one of his more daffy constructions, with a certain silly use of flowers and a stepladder. (Those who look for symbolism everywhere can waste a lot of time on this kind of nonsense.) And vet hardly has the curtain risen than we are off into an enthralling solo,

swings in the air between huge, hanging jumps of alternating con-vex and concave shapes. At once rhythm and space and human energy are made vital in the ways only Cunningham knows. Corgo X and Enter are accompanied by two of the most stupidly caconhonous scores I have ever heard. Usually I can take the Cunningham sound-world in content-

in which (at the performance I

watched) the great Frederic Gafner

ment, but David Tudor - an abstract expressionist of music whose works I have sometimes admired - bas made music for Enter in which whole gaggles of geese protest at the passing of

whistling V2 rockets, computers

not merely silly but actually intrusive as to be, in spirit, anti-

Even so, anyone can see that about 40 per cent of Enter (a long 90-minute composition) is on Cunningham's highest level, notably in its solos and duets.

In ensembles it is always interesting when Cunningham has more than one activity, and more than one speed, going on at the same time; but when he has everybody doing more or less the same thing the interest drops. Elsewhere, however, it is still true, as when I reviewed the premiere of this work at the Paris Opera in 1992, that this dance makes one wonderfully conscious of vertical space; each dancer seems to be merely the base of some mighty and moving cylin-

The work contains both extremes of slow-motion and speed, both beautifully achieved; and sculptural stillness is often contrasted with either staccato brilliance or unbroken slow phrases. When Cunningham is great - which is often enough here - nothing in the world is more peculiar or more marvel-

Alastair Macaulay



#### **AMSTERDAM**

Concertgebouw Tonight: James Judd conducts European Community Youth Orchestra in works by Bartok and Mahler, with violin soloist Kyung-Wha Chung and soprano Charlotte Margiono. Tomorrow: Kansai Youth Symphony Orchestra plays Khachaturlan and Tchaikovsky. Fri and Sat: Kyril Kondrashin Music Competition, with Radio Philharmonic Orchestra, Sun moming: Vassili Sinaiski conducts Hague Phitharmonic Orchestra in Verdi, Liszt, Brahms and Tchaikovsky, with plane solelst Love Derwinger. Sun evening: Gustav Leonhardt conducts Orchestra of the 18th Century in Haydn and Mozart, with soprano Cynthia Sieden, Next Tues: Los Angeles Philharmonic. Next Wed, Thurs: Chailly conducts the Royal Concertgebouw (24-hour information service 020-675 4411 ticket reservations 020-671 8345) Muziektheater Sat: Netherlands Opens opens its 1994-5 season with David Pountney's ENO production of Lady Macbeth of Misensk,

conducted by Hartmut Haenchen,

with cast headed by Eva-Maria Bundschuh and Willard White (repeated Sep 6, 10, 13, 16, 19, 22, 25, 28, 30). Next Mon: Dutch National Ballet gives first of 11 performances of a mixed bill comprising choreographies by Balanchine, Fernandez and Van Dantzig (020-625 5455)

#### ■ BRUSSELS

Monnale Tomorrow, Fri, Sun and next Wed: Antonio Pappano conducts Karl-Ernst and Ursel Herrmann's production of La traviata, with cast headed by Elzbieta Szmytka, Laurence Dale and Victor Ledbetter (02-218 1211) Lunatheater Fri, Sat, Sun and next Wed: Rosas, the dance troupe of experimental Belgian choreographer Anne Teresa De Keersmaeker performs Toccata, set to music by Bach (02-218 1211) ais des Beaux Arts Sun: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in works by Beethoven, Lutoslawski and Sibelius (02-507 8200)

#### **■ CHICAGO**

The Lyric Opera re-opens on Sep 17 with Boris Godunov starring Samuel Ramey. The season also includes Graham Vick's new production of The Rake's Progress, Fedora with Freni and Domingo, il barbiere di Siviglia with Thomas Hampson, John Cox's staging of Capriccio, Bernstein's Candide, Aida and Siegfried (312-332 2244)

**GENEVA** Hugues Gall's final season at the

Grand Théâtre opens on Sep 12 with a new production of Idomeneo, conducted by Armin Jordan and staged by Christopher Alden, with a cast Including Johan Botha, Solveig Kringelborn and Paul Groves (repeated Sep 15, 17, 20, 23, 26 and 28). The season also includes The Bartered Bride, La boheme, Nabucco, a Bartok and Schoenberg double-bill. Gounce's Faust. I Puritani and Gluck's Orfeo (022-311

#### **LINZ**

The annual Bruckner festival in this Austrian town (Sep 11-Oct 2) opens with Riccardo Muti conducting the Vienna Philharmonic in Bruckner's Seventh Symphony. Gluseppe Sinopoli conducts the Philharmonia Orchestra in two concerts, and the Orchestre de Paris will play Bruckner's Ninth under Semyon Bychkov. Marek Janowski will direct a concert performance of Wagner's Lohengrin, with a cast headed by Peter Seiffert and Eva Johansson Other visitors include the Hagen Quartet, Christian Zacharlas, Simon Estes and Mauricio Kagel. The final two concerts will be given by the London Philharmonic under Franz Welser-Möst (0732-775230)

#### **LUCERNE**

The Luceme Festival continues till Sep 10. Tonight's concert, by the Royal Concertgebouw Orchestra under Riccardo Chality, features works by Stravinsky and Mahler. Claudio Abbado and the Berlin Philharmonic play Mahler's Ninth programme on Thurs. John Fliot

Gardiner conducts the English Baroque Soloists and Monteverdi Choir in a Mozart choral programme on Fri, followed on Sat by a Beethoven programme with the Orchestre Révolutionnaire et Romantique. On Sun morning, Daniel Barenboim conducts the Berlin Staatskapelle in the first act of Wagner's Die Walküre, with Tina Kiberg, Siegfried Jerusalem and John Tomlinson. Barenboim also conducts Verdi's Requiem next Mon evening. Among the visiting ensembles later next week are the Dresden Staatskapelle with Colin Davis and the Vienna Philharmonic with Riccardo Muti (041-233080)

#### **■ MONTREUX**

The Montreux Festival continues till Sep 23. Radu Lupu is soloist tomorrow with the Royal Concertgebouw Orchestra conducted by Riccardo Chailly. Marek Janowski conducts the French Youth Orchestra on Fri and Sat. Ton Koopman directs the Amsterdam Baroque Ensemble next Mon in works by Haydn and Mozart. Other visitors next week include the Moscow State Symphony Orchestra under Pavel Kogan and the Orchestra of La Scala under Carlo Maria Giulini (021-963 5450)

#### **■ UTRECHT**

EARLY MUSIC FESTIVAL The Holland Festival has organised a series of performances by early music specialists at the Vredenburg concert hall, daily till Sunday. Among the artists appearing are La Simphonie du Marais in a Handel and Lully programme, Concerto Kölin

In Salieri and Rosetti, the Amsterdam Baroque Orchestra playing Hayon and Mozart under Ton Koopman, the Orchestra of the 18th Century under Gustay Leonhardt and Les Arts Florissants under William Christie (030-314544)

#### VIENNA

 The Staatsoper will remain closed for technical alterations till Dec 14. The Volksoper opens its new season on Thurs with Die Fledermaus (51444 2969/51444 2959/513 1513)

The Burgtheater and

Akademietheater resume repertory performances on Thurs. Chekhov's Three Sisters heads the bill at the Burgtheater. The Akademietheater has a new production of Shakespeare's Titus Andronicus, first night Sep 10 (51444 2969/ 51444 2959/513 1513)

 The main orchestral programme at the Musikverein begins in late September with concerts by the Orchestre de Paris and Finnish Radio Symphony Orchestra (505

#### **■ WASHINGTON** THEATRE

 Carol Channing stars in the musical Helio, Dolly! at Wolf Trap, opening tonight and running daily till Sun (703-255 1860) Night of the Iguana, Tenness Williams' poetic drama set in a Mexican resort, runs till Sep 11 at Olney Theater (301-924 4485)

 Goodnight Desdemona, Ann-Marie MacDonald's popular spoof on Shakespeare, runs till Oct. 16 at Woolly Mammoth Theater (202-393 3939) Miss Saigon, the musical love

story set against the background of the Vietnam war, runs daily except Mon at Kennedy Center Opera House (202-467 4600)

 Into the Woods, the musical by Stephen Sondheim, runs till Sep 17 at Signature Theater (703-820 9771) CONCERTS The National Symphony

Orchestra's new season at Kennedy Center Concert Hall opens on Sep 8 with the first of three concerts conducted by Leonard Statkin Kyung-Wha Chung is violin

soloist at the opening concerts of the Baltimore Symphony Orchestra's new season on Sep 16 and 17 at Symphony Hall (410-783 8000)

#### **■ ZURICH** Opernhaus The 1994-5 season

opens on Thurs with a gala performance of Tosca, starring Mara Zampieri, Neil Shicoff and Ruggero Raimondi (repeated Sep 4, 8, 11, 15, 21 with Giorgio Zancanaro replacing Raimondi for some performances). The first new production of the season will be Mascagni's L'Amico Fritz, opening on Sep 9 in Winterthur. The opening month also includes Rusalka, Die Zauberflöte and a new production of La Cenerentola (first night Sep 17). Carlo Bergonzi gives a song recital on Sep 12 (01-262 0909) Tonhalte Claus Peter Flor conducts the Tonhalle Orchestra in the last of three Beethoven concerts on Fri. with piano soloist Rudolf Buchbinder

#### ARTS GUIDE Monday: Berlin, New York and Tuesday: Austria, Belgium, Netherlands, Switzerland, Chi-

cago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Busi-ness Today 1330; FT Business

Tonight 1730, 2230 MONDAY NBC/Super Channel: FT

TUESDAY Euronews: FT Reports 0745. 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT Reports 1230 FRIDAY

NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230,

NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

#### he spectacle of apparently wealthy people being granted legal aid to fight UK court cases and then running up bills of thousands, if not mil-lions, of pounds to be met from the public purse is sparking controversy inside, as well as outside, the legal profession.

Last week the Law Society, the UK's professional body for solicitors, proposed ways of closing loopholes in legal aid rules enabling the wealthy to claim state support.

its move follows a number of controversial cases, notably that of Dr Jawad Hashim, the Iraqi businessman who, despite owning six luxury homes, has so far received £4m in legal aid for his civil court battle with his former employer, the Arab Monetary Fund, economic watchdog for the Arab League. The AMF successfully claimed Dr Hashim embezzled £33m belonging to the fund.

The government's Benefits Agency, which assesses legal aid claims, disregards disputed assets when deciding if applicants need financial help - and the size of the AMF's claim against Dr Hashim meant most of his assets were disputed.

Legal aid given to many of the City's fallen heroes in criminal cases has also provoked criticism. Where they have been declared bankrupt though their lifestyle may be supported by friends or relations - they have qualified for legal aid.

Given the size and complexity of many fraud trials, the sums involved can be large. At the weekend, legal aid in the trial of Roger Levitt the financier sentenced to 180-hours of community service for fraudulent trading, plus three co-defendants, was confirmed by government law officers as

Mr Wallace Duncan Smith the former City banker jailed for fraud this year, set a record for the amount of public money spent simply on accountants for his defence — £350,000. The trial of Kevin and Ian Maxwell, scheduled for early next year, looks likely to produce a total legal aid bill running into seven figures.

Defence lawyers insist defendants in criminal trials have to be given the resources to prepare their cases - and that bankrupt bankers should be treated in the same way as the less well off. They add that because a personal contribution is often demanded even when legal aid is granted, the system is not a "free ride". But such arguments are hard

to sustain amid the contro-

# Cheap ride on trial

John Mason on proposals to close loopholes in the UK's legal aid system

versy over recent cuts at the other end of the legal aid spectrum. Anxious to control the fast growing legal aid budget expected to increase by 15 per cent to £1.4bn this year - Lord McKay, the Lord Chancellor, has restricted eligibility for the some of the poorest applicants, leaving many, say his critics, without access to the law.

Cuts have fallen hardest on the "green form" scheme which provides two hours of free legal advice for relatively straightforward civil cases such as family disputes - the

'Government cuts mean many living just above the poverty line can't afford legal aid'

type of action in which those to be involved. While people earning up to £145 a week used to be able to use the scheme, that limit has been cut to £70. Mr Russell Wallman, head of sional policy at the Law society, says the contrasting treatment of the poorest applicants and the apparently wealthy makes legal aid arrangements seem a "racket". Mr Charles Elly, Law Society president, says: "Government cuts have meant that many people living only just above the poverty line are no longer able to afford legal aid. That makes it particularly galling to see many apparently wealthy individuals getting legal aid through loopholes in the

The society suggests the legal aid system should be reformed to take more account of applicants' lifestyles, and increase pressure on the seemingly affluent to explain all income sources. Mr Wallman suggests those relying on

wealthy relatives and friends should have to use some of these resources to fund their legal costs. Implementing this approach, he says, would not be easy. Could a friend who. for example, takes an applicant to a restaurant be expected also to pay his legal bills? But in principle it would be no less harsh than denying legal aid to those falling just outside the

current eligibility limits. A more practical measure proposed by the Law Society, which could be implemented fairly quickly, is to take account of the value of applicants' homes when assessing their eligibility. The society does not suggest people should have to vacate modest homes to fund litigation. But it does not see why someone with substantial equity in a home should not have that taken

The society suggests a ceiling on the amount of equity that should be disregarded perhaps in the range of £100,000-£150,000. "If that means somebody has to move somewhere more modest, I don't think that is unreasonable," says Mr Wallman,

In civil actions, as in the Hashim case, the Law Society says it should be possible for legal fees to be paid out of the funds at stake. This would reverse the practice of disregarding disputed assets. The society also urges the courts to make standard the practice of releasing money to pay legal fees when imposing freezing orders on assets.

The society argues the finar cial savings via its proposals could be significant, even though the number of applicants affected would be in the bundreds or low thousands. The money saved would be in the tens, rather than hundreds, of millions of pounds," says Mr Wallman. Such sums could help many applicants at the bottom of the income scale.

The Law Society's proposals have been submitted to the Lord Chancellor. Though the society has clashed with Lord McKay over the latter's attempts to curb the legal aid budget, there are signs that their thinking is now more in line: law officers have hinted in Parliament they see the case for reforming legal aid rules affecting the better off.

For the government, anxious to control public spending, the Law Society's proposals have one big attraction: ending the controversy over payouts to the well-off would make it politically easier to curb growth in the overall legal aid

IS INTERNATIONAL

# THE FT INTERVIEW: Barry Diller, chairman of QVC

# TV thriller – back after the break

hostile takeover.

arry Diller is saying

No at the moment,

frequently and

clearly. In the past 18

months, entertainment execu-

tive Mr Diller has invested in

an obscure US-based home

shopping television channel

called QVC and made nearly

\$100m. He has also failed to

he is about to be out of a job.

for possible deals are coming

in fast and Mr Diller - for now

- is saying No to them all.

Things come up but I am try-

ing to push opportunity away

He was being interviewed at

at the Edinburgh Television

Festival at the weekend -

somewhere he would have pre-

ferred not to be, but he had

promised to make a speech so

he turned up. For the previous

10 days, Mr Diller, one of the

most frenetic and forceful exec-

utives in the entertainment

industry, took himself off to a

beach house in California and

from what I have just gone

through," says Mr Diller. "The world has heard enough from

me for a while. I want off

stage. I want out of the light."

The reflective mood is stri-

king from a man who has

known little but success -

the Week" concept on US tele-

vision as a young executive in

the industry, to running Para-

mount for 10 years, to launch-

in the US for Mr Rupert Mur-

doch. Now he has to come to

"While I have all the expla-

nations in the world and I have

learned a great deal, the fact of

the matter is I did try to buy

Paramount and in the end didn't, and I did merge with

CBS and it got stopped and

He was more succinct in his

first comments after the Para-

mount failure earlier this year.

"They won. We lost. Next!" he

said then. But now Mr Diller

feels that after a second blow -

the loss of the CBS deal - it is

not going to be so simple to

In particular, he feels he has

to learn the lessons of the

bruising experience of being

move on.

that's that," says Mr Diller.

terms with failure.

put his career on hold.

from me for at least a few

months," he says.

take over Paramount (the Hollywood studio) and has proved "While I had been around unable to make a merger with Wall Street, I didn't really CBS (the US broadcaster) stick know anything about it after a big QVC shareholder about real playing and that kind of big-ticket investment objected to the deal. Now, seeing no role for himself at QVC. banking and the arbitrageurs," Mr Diller concedes. Employment offers and ideas

The 52-year-old executive. vhose initial \$25m stake in QVC has risen in value over the last 18 months to \$118m, insists he could have bid high enough to take Paramount from Mr Sumner Redstone's Viacom broadcasting group, whose interests include the MTV channel. He simply refused to pay what he regarded as too high a price.
"I just looked at the assets

and knew it wildly wasn't worth it," says Mr Diller. He says he turned down, as too risky, a proposal to raise extra money by borrowing against QVC's future share price -which he would have had to guarantee

But the real turning point, "I want to... really learn he says, came in a meeting with 15 arbitrageurs who at the time held 30 per cent of Paramount. Mr Diller started to tell them about his plans for Paramount, but that was not what they were interested in He remembers one saying to from creating the "Movie of him: "Stop talking to us. We don't want to hear your ideas. Give us a nickel more and we will all go home" - although, with Paramount's stock price ing the Fox Television network then bouncing above \$90 a share, the 5 cents was probably only a figure of speech.

"I am quite happy I didn't do it (Paramount). I am not happy with the CBS proposition says Mr Diller, referring to his subsequent attempt to merge with the television network in a deal that would have gone a long way towards fulfilling his ambition to run a big media

The main problem was that Mr Ralph Roberts, chairman of Comcast, a minority QVC shareholder, did not think a cable company such as his should be tangling with a network broadcaster. Mr Diller told Comcast that, if it wanted to stop the deal, it could always buy QVC. Mr Diller says he promised that, if it did,



Barry Diller: 'The world has beard enough from me for a while'

he would treat its bid with respect. "They [Comcast] did. We did. Larry Tisch [chairman of CBS] walked out. It was over. Instantaneous," says Mr Diller, in his best machine-gun delivery. Comcast was joined in taking over QVC by Liberty

Diller feels he must learn the bruising lessons of his first big hostile takeover

Media, another cable company. in his Edinburgh speech, Mr Diller managed to sum up his sure of wit. With tongue firmly in cheek, he explained he was Murdoch, and had been enormously successful in undermining the balance sheets of two major rivals, Paramount

Getting into his stride, Mr Diller suggested in his lecture that he was "clearly a tonic" to "old men" in the US media industry. "Sumner Redstone, Tisch, Ralph Larry Roberts... are all in their 70s and there is no one who can't say they haven't been rejuvenated by having me briefly in

their lives," Mr Diller said. Whose life Mr Diller will rejuvenate next is likely to remain uncertain for some time but he has dropped two large hints about his inten-

First, he suggests that in the future he wants to be in overall charge of any project. He left Fox three years ago after could only be one principal in the group - himself "Will I or will I not work with other people?" Mr Diller

#### recent experiences with a meatelling Mr Murdoch that he wanted to be a principal and own stock in The News Corporation. Mr Murdoch said there still secretly working for Mr

asks. "I will, or I won't ... But

one thing I doubt that I will ever do: I just don't think I will get myself in a situation where I can't prevail."

The second clue lies in his

continuing interest in "the truly radical transformation" taking place in the media industries. After leaving Fox be spent 10 months searching for a chance exploit an undis-covered investment opportunity which ended, to the surprise of many, at QVC. He saw what no one clse saw in a company that sold cheap jewellery and electronics to the US television viewer 24 hours a day that it represented the convergence of technology that most people were only talking about. QVC uses television to stimulate consumers' interest, telecommunications to take 130,000 calls a day (and sometimes as many as 300,000), and computers to organise it all and handle the inventory and make sure goods get to customers on time. But QVC, where Mr Diller is contractually obliged to remain chairman until December, has already begun to develop what he regards as a more powerful idea - "smart

This, Mr Diller explained to his audience in Edinburgh. would involve creating detailed computer profiles of the tastes and desires of individual consumers and matching the information with goods, ser-vices and information that they are likely to want. Developing such databases. he believes, will be a more effective way of trying to merge media industries and change how people behave than Hollywood studios, publishers and telephone companies trying to invade each other's territories without really knowing what they are doing.

Given Mr Diller's current enthusiasm for the project it would be surprising if "smart agents" did not pop up somewhere in his future plans unless his period of reflection produces an even smarter

For now, Mr Diller will not be precise about his intentions. Apart from lying as low as possible to see what he can create from his experiences, Mr Diller is emphatic about only one thing: "I don't know what I am going to make of it this experience] but I hope I won't do the

Raymond Snoddy

#### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL.
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## but not pirates

From Mr W J W Courtney. Sir. The emotive language of

your article, "Boards of utilities likened to pirates" (August 25) calls for an immediate

Sir Anthony Beaumont-Dark, chairman of TR High Income Trust, casts a wide net when describing directors of all water companies as giving themselves huge increases in pay and pillaging their compa-

Let me set the record straight so far as Southern Water - a company in which TR High Income Trust wisely seeks to invest - is concerned.

The majority of Southern Water's directors were recruited from the private sector. The prospectus for the sale of our shares in 1989 clearly stated that directors' salaries would be brought up to levels commensurate with those in the private sector. Some five years on, our advice from independent consultants is that these levels are still to be

We do not just control a monopoly. We operate a water business within a highly complex regulatory framework and remain accountable to a myriad price, quality and environmental regulators. We are responsible for managing a capital investment programme of some £2bn to bring up to the latest UK and EU standards our Victorian infrastructure legacy which, until recently, was neglected by politicians of

At the same time, we have formed or acquired some 20 trading companies which are exposed to the full rigours of competition in the market place. Through these success ful businesses we have each year, added value for our shareholders and created employment during a period of recession. Fifty per cent of our total board costs are met by these non-regulated businesses. Buccaneers we may be in developing new businesses. but pirating our core business – never.

all complexions.

W J W Courtney chairman, Southern Water, Southern House. Yeoman Road Worthing. W Sussex BN13 3NX

#### Buccaneers, Public is the beneficiary of local government review cers in a plebiscite - but public

From Mr Geoffrey Fükin. Sir. In response to your editorial, "England's local sham-

bles" (August 25), the two-tier structure of local government has not worked well in most of shire England in spite of good members and officers at both country and district councils. The public is confused, accountability is poor and services that ought to be integrated are split between two authorities.

The public overwhelmingly contacts its local council yet its county council spends 70 per cent of the finance and is unavoidably remote, given its

District councils know that the Local Government Review will lead to their abolition as well as that of their county council. In spite of this, most of them back a unitary system as long as it is kept local to the people they serve.

For these reasons all three national political parties pledged to introduce unitary local government in their manifestos. It has happened in metropolitan England and is about to in Wales, Scotland and most of shire England. Geoffrey Filkin,

secretary, Association of District Councils, 26 Chapter Street, London SWLP 4ND

From Councillor Brian White. Sir, Your editorial demands a response. The review is about improving local government. It seeks to create councils that serve district communities, overcome the widespread confusion about which tier of local

overnment does what, and ideally produce savings in the

That unitary authorities will overcome confusion is irrefutable. The Local Government Commission itself calculates that significant savings will often be possible. And, in Buckinghamshire, like many other areas, there is overwhelming support for change. The review must, therefore,

be completed. Brian White, chair of the local government working group, Milton Keynes Borough Council Civic Offices

Cental Milton Kernes From Mr John Pearson. Sir, Your editorial stance on the local government review in England is well rehearsed.

However, I must correct an error in your leader. The commission has not conducted "postal referendums". We are sending leaflets to 12m households as part of an unprecedented public consultation exercise and, on the returns so far, we expect to receive im individual responses. (The Royal Commission on Local Government in England, which in the 1960s studied local government for three years, received the views of 600 indi-

All views submitted to us, together with the other factors we have to consider, will be taken into account before we send our final recommendations to the secretary of state for the environment later this for the environment later this year. We are not returning offi-

opinion, measured in a variety of ways, will of course be important John Pearson. director, Local Government

Commission for England, Dolphyn Court, 10/11 Great Turnstile, Lincoln's Inn Fields, London WC1V 7JU

From Councillor Mrs M Duddy, Sir, As leader of Macclesfield Borough Council, the 25th largest shire district in England, I know that the establishment of a unitary council in our area would be of great benefit to our residents and businesses. This view is shared not only by the council but also by our local business community, led by large employers such as Zeneca and Ciba, both of which have their headquarters in the

Borough of Macclesfield. Macclesfield has a population of more than 151,000, as big as many metropolitan districts. Unlike them, though, we do not control the majority of decisions affecting our area as 90 per cent of our council tax goes straight into Cheshire County Council's coffers.

The two-tier system is an anachronism which only serves to frustrate efficient and responsive local government. The proposal of the Local Government Commission to create five unitaries in Cheshire should be warmly welcomed as the opportunity to free us from the unnecessary and costly bureaucracy. Margaret Duddy.

#### Baccalaureate offers more depth and flexibility From Christian Faure. others would tend to take only may be chosen from any of

Sir, With reference to your

editorial, "A-levels fail the test of time" (August 22), any unbiased observer must agree that specialising in three subjects at the age of 16 is detrimental to a student's development and, in the long run, to the nation's economy.

However, the alternative you propose, five A-levels, with a 20 per cent lighter syllabus, is only a partial solution. Scientifically-inclined students would tend to take only maths and science subjects. While the arts subjects and languages. This system would thus run the danger of producing a large number of what is known in German as "Fachidioten". Surely it would be preferable

to introduce a system similar to that of the International Baccalaureate: students must sit six exams, English (in English-medium schools) and maths are compulsory as are one science subject, one arts subject (for example, history or economics), and one foreign language. The sixth subject

these groups. In addition, students may, if they wish, take a seventh or even an eighth subject, and a class in epistemoiogy and an "extended essay" are also compulsory. This system has the merit of striking a good balance between a broadly-based and an in-depth education while at the same time allowing a good deal of flexib-Christian Favre.

6 Rue de Saussure. 1204 Geneva.

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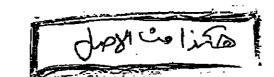
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### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday August 30 1994

# The prize of Mideast peace

It is still too early to be fully confident that the Middle East peace process is irreversible, but timely to assert that the prize is now almost within the participants' grasp. The symbolism of the Madrid conference in 1991, the handshakes between Mr Yitzhak Rabin, the prime minister of Israel, first with Mr Yassir Arafat of the PLO, and more recently with King Hussein of Jordan, could be greeted with scepticism for so long as there were no tangible changes on the ground. But

those changes are now happening. Israeli troops have withdrawn from a small part of occupied territory, and Israel is handing over important civil powers to a Palestinian authority. Mr Arafat is back on home soil, backed by substantial pledges of international aid. Tourists are already taking advan-tage of the new border crossing between Israel and Jordan. King Hussein's embattled economy will soon begin to benefit from debt forgiveness of as much as \$2bn over the next three years. Plans are being laid for roads linking Jordan and Israel and schemes for sharing electricity, airports and port facilities. Populations may not yet feel the benefits, but governments can begin to see the div-

idends of peace.

The desire to realise those dividends should provide the strongest incentive for maintaining the momentum among those leaders already committed to the peace process. Mr Rabin, Mr Arafat and King Hussein find themselves in the same boat, albeit not yet rowing in precisely the same direction. They need the process to succeed for the overwhelming reason that personal, party and dynastic futures may depend on it. They are aware equally that the lack of an agreement between Israel and Syria could threaten further progress and, at worst, undermine what has already been achieved.

High ground

1. 1. 1. 16 A

Mr Rabin's calculations over the next few months will be crucial. He holds the high ground – literally on the Golan heights and politically at home where the most ing about the conditionality of aid hawkish elements of opposition and use what is available as rapare in increasing disarray. Mr Rabin and the Israeli public know the price demanded by Syria, which is an eventual full withdrawal from the Golan. The tim-

ing and terms of that withdrawal. through which Israel can be reassured of Syria's long-term commitment to peace, are at the heart of US mediation efforts. The gap is narrowing, must be bridgeable, and if closed would not just inject a new surge of optimism into the peace process but would encour-age the belief that other apparently irreconcliable issues, such as the future status of Jerusalem, might one day be resolved.

Old sureties

The clock is also ticking for President Hafez al-Assad in Damascus. The old sureties, such as the support of Moscow, have gone. King Hussein has set his own agenda, without reference to Syria. Improved relations with Washington will not bear muchneeded economic fruit for Syria until there is progress in the nego-tiations with Israel. Mr Assad may have crushed Islamic forces at home, but he is riding the Hizbollah tiger in southern Lebanon which could yet cause him severe embarrassment. To enhance the prospects of the Alawite minority's maintaining its dominance after his departure, Mr Assad needs to bequeath a more stable future than a continuing, debilitating conflict with Israel

In Syria, as in Egypt, Jordan, liberated Palestine, the occupied territories, Lebanon, and Israel, the most vigorous opponents of the compromises needed to secure peace are also those who would expect to benefit most politically from the failure of the present process. The closer peace comes, the more desperate and dangerous those forces will become, as recent bombs in London and Buenos Aires have shown. The proper response must be greater vigi-lance, restraint (especially by Israel), and more emphatic efforts to eradicate the conditions which breed such extremism: occupation, poverty, and the absence of hope for a better future. The next steps are clearly signposted. Israel must speedily complete its withdrawal from most of the West Bank, and Mr Arafat should stop complainidly and effectively as possible. If at the same time the US steps up its efforts to broker a deal betw Israel and Syria, the prize will be truly within reach.

# Venturing capital

A cornucopia of special incentives exists to encourage savings here and promote investments there. Splendid as job-promoting schemes for tax inspectors, accountants and investment advisors, this host of schemes is impossible to justify. That is true even of the almost universally lauded desire to provide special

help to small business. Two justifications can be advanced for offering special incentives to small companies. First, small business finds it difficult to raise money because investors face obstacles in identifying honestly-run companies with goo prospects, in monitoring their behaviour and in realising invest-ments. This may justify efforts to subsidise information. But subsidising particular investments mainly increases tax avoidance.

A second argument is that high rates of capital gains tax (up to 40 per cent) in the current tax sys-tem discriminate against investment in small enterprises. Given corporation tax, CGT entails the double-taxation of retained earnings. Since growth in the value of small enterprises partly depends on rapid accumulation of retained earnings, this may raise an obstacle to investment in such enterprises. Mr Clarke's unfortunate decision to eliminate indexation of capital losses in the 1993 Budget further reduces the attraction of investment in the small business lottery, where investors hope that a few big winners will offset their

Poor measures

The first of these arguments is far from overwhelming, while the second concerns capital gains taxation in general, not small business promotion in particular. It is difficult, therefore, to be enthusiastic about the special measures announced by the chancellor of

the exchequer last November. At that time, capital gains tax roll-over relief for profits reinvested in private companies was broadened in addition, the Enterprise Investment Scheme was introduced as an alternative to the Business Expansion Scheme, which had been hi jacked by property investments. Being less generous and better focused, the new scheme should be less wasteful. Legislation is now being drawn

up for a third vehicle, the venture capital investment trusts. The Inland Revenue views these as riskier versions of personal equity plans, with similar tax exemption of dividends and capital gains. Because the trusts will have rela tively liquid publicly quoted shares, the Revenue does not appear to favour up-front tax relief, even at the 20 per cent level allowed in the EIS scheme. The Revenue is also proposing to limit venture capital trust investment in any company to film. Since the fewer the special incentives the better, hats go off to the Revenue.

Extensive lobbying Inevitably, there has been a cacophony of lobbying for changes. The loudest has come from the Association of Investment Trust Companies, which says its members are unlikely to launch new trusts unless the maximum investment limit is raised Investing in lumps much smaller than £3m would be too demanding on management time and render

the trusts unviable, it argues. This should be ignored. Venture capital institutions, such as 3i, adequately meet the demand for larger deals. Setting the limit near £3m would also deny many of the smaller companies the seed capital venture capital trusts are being set up to provide. Investments in smaller companies, those most likely to be curtailed by lack of information, are the ones that

most deserve help.

One area where something might be done is to extend CGT roll-over relief to capital gains reinvested in venture capital trusts. But this is mere tinkering with the problem. What is needed is to make roll-over relief generally available. By restricting CCT to ultimate disposals, this would limit its effect on people's ability to trade assets and move the system towards expenditure taxation.

Greater fiscal generosity would, of course, generate more investment in small enterprises. But that in itself cannot be a sane objective. What matters is to promote economically productive investment. The way to be more confident that this is occurring is to stop producing one clever wheeze after another and develop coherent reform of the taxation of savings and investment.

from the village of Wilnsdorf, south of Berlin, departs tomorrow just as President Boris Yeltsin will be attending the formal ceremonies in the German capital to mark the end of Russia's 49-year

military occupation of east Ger-

For the past week the village, hitherto headquarters of Moscow's so-called western group of forces, its army of occupation in Germany, has almost drowned in a tide of celebration and nostalgia. Vodka and champagne have flowed as the departing Russian soldiers bade a tearful farewell to friends.

When the last Russian troops leave, the effects of their long stay in east Germany will certainly not disappear. For a start, they are leav-ing behind them, in Wünsdorf as on 250,000 hectures of other Soviet gar-risons and airfields, shooting ranges and waste dumps, an environmental nightmare: untreated sewage, pools of toxic chemicals, oil and petrol, unexploded shells, and abandoned equipment. The cost of the clean-up is still unknown.

Yet the environmental problems are not the real issue. For the departure of the Russian troops ushers in a new era in German-Russian relations which will remain for the foreseeable future both acutely sensitive, and central to the lasting stability of the European continent. For Chancellor Helmut Kohl and

his government, as well as for the vast majority of the German people. the highly visible and symbolic departure of the Russians is a matter for whole-hearted enthusiasm. More than any other event since the breaching of the Berlin Wall, this marks the end of the second world war, and the return of a united Germany as a sovereign state.

Indeed, Mr Kohl is exploiting the event for all it is worth in his ambition to be re-elected chancellor in October, presenting it as the ulti-mate achievement of his government over the past four years.

For Mr Yeltsin, it is an altogether more problematic occasion. It emphasises the retreat of Russia from its erstwhile empire, and it gives grist to the mill of the nationalist lobby back in Moscow. He has to emerge looking dignified, even in what many former Red Army officers see as a defeat, It is a dilemma about which Mr

Kohl is sensitive, even as he seeks to gain all the votes he can garner from the television pictures of the departure. In recent weeks the German government has embarked on a public relations exercise aimed at reassuring the Russian people that the end of their military occupation can only improve their bilateral and international relations. There is no doubt that the fear

exists in Moscow that Bonn will and stability on its eastern border -

As Russian troops leave Germany, Judy Dempsey examines future relations between the two countries

# Gone but not forgotten



Homeward bound: a Russian combat unit, one of the last to leave Germany, marching in Grimma, Saxony

mark the Russian retreat either by downgrading its relations with its biggest eastern partner, or by adopting a much less (financially) generous attitude towards its yawning debt and development needs.

In an interview with Mr Kohl in Evestia last Friday, Mr Sergei Sosnovsky of the Interfax news agency suggested that "there is a view that following the withdrawal of the troops, the Germans will begin to speak a 'different language' to the Russians, because the Russians will have lost their final trump card in relations with Germany".

"Those fears are groundless," Mr
Kohl retorted. "Germans and Rus-

sians have learned the lessons of history. Both sides have a vital interest in promoting the cause of stability and peace on the continent through far-reaching co-operation." It is certainly true that the whole direction of Germany's Ostpolitik its policy towards the east - since the demise of the Soviet Union, and

its own re-unification, has been aimed at the preservation of peace

and that has meant above all in the former Soviet Union. This policy has underpinned Germany's diplomatic strategy, and its financial contributions to the Russian economy in a host of ways.

"Germany is streets ahead of the entire international community [in terms of its support for refrom [," Mr Kohl told Izvestia. "We did not do this just because of the presence of Russian troops. Rather, we regard this contribution as a good investment in a long-term relationship between Germans and Russians." According to Deutsche Bank, tra-

ditionally the most heavily involved of the German commercial banks in the former Soviet Union, the German banking sector has outstanding loans to Russia of between \$10bn and \$12bn. That amounts to about 25 per cent of all the loans to the former Soviet Union owed to western banks grouped in the London chib of commercial creditors. In addition, Hermes, Germany's

export credit insurance agency, has a total exposure of about DM45.65bn, although it has cut back

on its business in Russia in the past three years, except for insurance cover for east German exporters. Bonn has also paid Moscow DM14.6bn to assist the withdrawal of Russian troops from east Germany, primarily to pay for their rehousing back home. It has also contributed an additional DM4.7bn in technical and humanitarian

ing investment projects. On the negative side, trade between the two countries has been declining since 1990, and last year totalled DM22.1bn - one quarter of Russia's total foreign trade, but only 2 per cent of Germany's.

assistance, and DM4.2bn for financ-

As for the Ostpolitik, officials in Bonn are adamant that the troop withdrawal will not change the basic direction of its foreign policy: to promote stability across eastern Europe and, crucially, to reassure Russia that its own security interests will not be threatened.

"It would be stupid for the Russians to think this will be changed." according to one senior German dip-lomat. "Of course the symbolism of

B: "Shall we start without him?"

Enter C in a flurry of lateness.

C: "Gosh I'm sorry I'm so late."

A: "Give him five more minutes."

A and B (in unison): "Not at all.

the troops leaving east Germany is important. But the main plank of our foreign policy towards Russia has been in place for some time, and we will continue to pursue it."

Again and again, Germany's foreign policy specialists stress the need to put Moscow's own security fears at rest. "Russia sees its security interests as being under threat from eastern Europe, in the sense that Nato will be extended to the borders of Russia, leaving Russia vulnerable," the diplomat said. "That is why we, and our European Union partners, have had painstakingly to explain to the governments of eastern Europe that we could not bring them into the [Nato] Partnership for Peace programme without including Russia."

The counterpart to that policy of reassuring Russia is to dampen the expectations of the central and east Europeans, including the now inde-

pendent Baltic republics.
"We are trying to explain to them why they must not block out Russia," the diplomat said. "It is too dangerous. They must establish new relations with Russia because an eastern Europe which is perceived to be hostile by Moscow could play into the hands of the nationalists and lead to instability.

ussia lost eastern Europe. It now needs a new relationship with eastern Europe in order to come to terms with the west expanding towards its bor-ders." When Finland joins the EU next January, the EU will itself have a Russian frontier.

Bonn believes that Moscow understands the importance of the bilateral relationship, and will itself try to preserve it. It wants the German government to continue to act as a sober, moderating voice in international organisations, allowing Russia to pursue its interests.

Those interests are becoming clearer," said another German diplomat. "I believe Russia is pursuing a sober, if not cynical, strategy. It wants to be the first among the former Soviet republics to get on its feet." Bonn is prepared to back that self-interested strategy, not least because German officials are haunted by a nightmare. That is the danger of big differences between the rate of economic growth in different parts of eastern Europe, leading to a backlash against the slow pace of reforms in some of them.

"They could be drawn back again into the former Soviet Union. In such a scenario we should not exclude the prospect of a new military-type Warsaw Pact Two emerg-ing," the diplomat said.

That is the concern which will temper too much triumphalism tomorrow on the streets of Berlin when President Yeltsin comes to

#### An appointment is a contract which is breached by unpunctuality, argues **David Lascelles**

#### f I was given the opportunity to expunge a single human vice, it would be unpunctuality. Vice is not too strong a word for it. We are talking here

about something that is selfish, damaging and - since this is a business newspaper - expensive. And there are few vices that can claim to be all three. That may sound a bit strong.

coming from a member of a profession which is notorious for its inability to keep appointments. But even journalists know the value of punctuality. There would not be much in today's newspaper if they did not.

The world divides into people who are punctual and those who are not, and the gulf between them is gapingly wide. Speaking as a ber of the first group, I can explain why I resent unpunctuality, but I can only make a biased guess at what goes on in the mind of a habitually unpunctual person.

Punctual people find it impossible to understand how anyone can bear to be late - how, indeed, anyone can imagine that there is any alternative to arriving on time, other, perhaps, than arriving five minutes early. They are probably born that



Things which never

would be missed which always start late because a

rolls up late. But punctuality is also about order and economy, both of which make the world go round. Unpunc-tuality is about anarchy and waste, which are destructive. Unpunctualtuality creates. If punctual people ity is also corrosive. It destroys believe that civil behaviour punctual habits in other people - as in the case of regular meetings demands that people arrive on time, the same code obliges them to deal

the sense of injustice that unpunc-

few people persistently fail to show up on time. Eventually, everyone

Part of the resentment that punctual people feel stems. I think from

C: "Terrible. Been waiting long?" A: "No, only a few minutes."
This scene illustrates two things. One is that unpunctual behaviour triumphs. The other is that the unpunctual person is never made fully aware of the inconvenience he has caused. He therefore never cor-

Difficult morning?"

be lost from being unpunctual. Unpunctual people seldom think of themselves as such. Insofar as I can understand them, they seem to think that punctuality is a sign of pettiness, of warped values. They have trouble linking it with notions

rects his fault. There is nothing to

of selfishness or anti-social behav-

People will doubtless resent the moral-sounding tone of this article. Unfortunately, the punctual habit brings no sense of righteousness, no moral glow. It is in many ways a Scene: Two punctual people, A curse: it condemns you to a lifetime of anxiety, to a gut-tightening dread and B, sitting at a meeting table, of delay - all overlaid by the sense A: (looking at watch): "He's a of frustration I have already alluded

> Maybe punctual people are at fault for not dealing more severely with late people. Their tolerance prevents a kind of Darwinian process from breeding out the unpunctual habit. What society needs is a sanction which penalises unpuncquality. But it is not easy. Unpunctual people have little sense of shame, and they can usually judge how strongly their presence is required. Therefore there is no point in being forthright with them, or in trying to shut them out.

The answer must lie in inconveniencing latecomers in some way, to irritate them or make them feel excluded: such as removing all empty chairs from a meeting room at the appointed time. I'm sure there's scope for some constructive

#### **OBSERVER**

#### Daniel for lion's den

Daniel Goeudevert, last heard slamming Volkswagen's back door a year ago after being booted off the group board, has popped up at the side of would-be German chancellor

The 52-year-old Frenchman vesterday became the Social Democrat leader's personal adviser on Franco-German affairs, part of a series of changes designed to inject some verve into the diffident Scharping's election campaign. A thoughtful, literary type who

fell foul of VW boss Ferdinand Piech. Goeudevert has in the interim been convalescing quietly on a DM4m "consultancy fee" from He has been padding out what he

describes as "this vacuum, this emptiness" as vice-president of the International Green Cross, an environmentalist group based in

Reputed for his impeccable intellectual honesty - he earnestly promoted sound ecological and ethical business practices before most of his former motor industry colleagues had even heard of them – Goendevert is a handsome embellishment to Scharping's team. But he will have to look right and left as Gerhard Schröder, the power-hungry prime minister of Lower Saxony who becomes the

new "super" shadow minister, sets about trying to help the SPD get For Goeudevert and Schröder

physical presence of both parties.

The argument that punctuality is

essentially a social virtue is

reinforced rather than weakened by

the fact that some nations consist

entirely of unpunctual people. In

countries where it is customary to

turn up half an hour late, the code

still exists: it merely has 30 minutes

built into it.

were last seen hurtling down the Autobahn in opposite directions. The man most likely to oust Scharping if he fluffs it, Schröder is also the spokesman for Lower Saxony's controlling minority stake in VW. From his perch on the provided indispensable support for Piech's campaign to send Goeudevert into the wilderness

On the one hand ■ City headhunters take note. Officials at Lehman Brothers have dispensed with the highly-priced services of the middle man and are letting their own fingers do the walking.

The investment bank has recently lost its chief international economist to the Institute for Public Policy Research and its UK economist to ITN. So its sales people were put up to polling clients in search of their favourite practitioners of the distrial science.

Doesn't sound a bad, way to

Soft landing So Stephen Wolf is really grounded for good. The man who last month quit as boss of United

always right.

proceed. After all the customer's

COMMON!

If we can justify our pay rise I reckon we'll have earned it'

nP

Airlines when employees took the controls has wasted no time in finding a new slot. But, his 28 years in the airline business notwithstanding, it is Wall Street and Lazard Frères where he is poised to land.

The airline industry is the primary loser, for Wolf had immense experience. After a low-key start with a sociology legree from San Francisco State University, he was soon winging his way upwards, initially with American Airlines.

By the time he joined United in 1987, he had seen the insides of Pan Am, Continental, Republic and Tiger International (parent of The

Flying Tiger Line). It was his success at brow beating the unions that made his departure from United an inevitability, once the workers took control. But, precisely as a turnaround artist able to wring concessions from employees, Wolf, 53, will no doubt earn his keep as a senior

adviser with Lazard. His advice on mercers, acoustitions and something more than business school case studies. At his new stable, he has a close personal friend in Ira Harris, the

partner heading the Chicago office. And the firm obviously passed muster on a professional basis when it advised Wolf and United in the course of the buy-out negotiations with the unions.

#### President who?

■ It is just a year from the presidential elections in Poland, and the present incumbent Lech Walesa is growing restless. The opinion polls make gloomy reading, so Walesa has gone in search of scanegoats.

The first casualty seems to be his faithful press spokesman Andrzej Drzyciuski, who has been dispatched on "extended holiday". Francis Cybula, the president's chaplain and confessor since his days as a youthful trade union leader, is also not expected to

survive. In the meantime, Walesa seems to

reckon he can do better himself – at least in the former capacity. Last week he dialed The Wprost with his personal denial of a report carried in the weekly newspaper alleging he kept a number of foreign bank

Understandably, the telephonist did not immediately twig as to the caller's identity, and connected him with the sadly incomplete introduction: "There's a president on the phone."

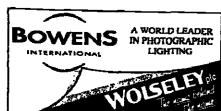
A flustered newsman attempted to explain away the confusion. "All sorts phone up giving themselves false titles to attract attention."

#### Floored

Arcane world, the financial futures business. The latest advert for the French exchange Matif depicts a helmet, accompanied by a truly mystifying slogan to the effect that "protecting your assets is not as difficult as you may think ... Before grabbing your helmet, give us a call".

Head suitably naked, Observer rang in search of a translation. Just what did this particular piece of headgear have to do with a French franc-denominated option or any other of the market's weird and wonderful wares?

"It is a medieval 'at," a voice in the communications department explained patiently. Puzzled silence from London. You know what an elmet is? I don't know what your



# FINANCIAL TIMES

Tuesday August 30 1994



German opposition tries to regain initiative

# SPD triple leadership aims to challenge Kohl on China

By Michael Lindemann In Bonn

Germany's opposition Social Democrats, trailing in the polls, tried to recover lost momentum yesterday by presenting a new three-man leadership which they hope will derail Chancellor Helmut Kohl's bid for a fourth term at the October general elections. Mr Gerhard Schröder, the high-

profile state premier of Lower Saxony and a rival of Mr Rudolf Scharping, the Social Democratic party (SPD) leader, has been lured into the top ranks of the party's shadow cabinet with the prospect of taking over an enlarged economics ministry.

There are hopes that Mr Schröder's aggressive campaigning, matched with the charisma of Mr Oskar Lafontaine, the Saarland state premier and the party's deputy leader, will counteract Mr Scharping's lacklustre style.

At a press conference in Bonn to present a new 16-member SPD

many questions as the party leader - a measure of the hopes riding on the invitation for him

to join the SPD's inner sanctum. The SPD's triple leadership contrasts with the Christian Democratic Union, which has focused on Mr Kohl as the guarantor of affluence and stability. A poll in the weekly Bild am

Sonntag newspaper suggested that if Mr Schröder were party leader, he would score 44 per cent against 34 per cent for Mr Kohl The same poll showed Mr Scharping managing only 30 per cent against 41 per cent for the pres-ent chancellor.

The styles of the two men – bitter rivals during last year's SPD leadership contest and often at loggerheads over campaign strategy in recent months could not have contrasted more strongly at the press conference. Mr Schröder was relaxed and confident, relishing the cut and

New York labours to recycle

its rubbish as garbage grows

Scharping shuffled in his seat and seemed uneasy.

The line-up has been billed as a shadow cabinet, but if the party won the elections on October 16 it would have to bring in senior politicians from possible coalition

Some recent opinion polls suggest the SPD may have to form a coalition with the Greens, proba-bly requiring the Social Democrats to cede two or three ministries. Other reports speculate that the Free Democratic party, junior partners in the present government, could be drawn into

Mr Lafontaine, the SPD leader in the 1990 elections, would become finance minister in an SPD-led government. Mr Gunter Verheugen, the SPD general sec-retary, would become foreign minister, and Mr Hans-Ulrich Klose, leader of the parliamen-tary party, would take defence.

stightly below the programme's average, but a world away from the 28 per cent in Manhattan's

elegant, environmentally con-

falls far short of the 25 per cent target for 1995 required by state

law. The programme has pro-voked opposition from residents who feel they are sometimes unfairly fined. It is also expen-

sive, although much of the

annual budget - \$78m last year

The underlying problem is that

north are reluctant to take

the city is running out of places to put its rubbish. Districts to

the waste, as are neighbouring states. "No one wants New York's garbage," says Ms Mar-sha Bystryn, assistant commis-sioner of the city's recycling

department. "It's like it came

who knows what might be in it."

ernment's "criminal destruction

from Sodom and Gomorrah

is passed on to residents.

But overall the city's recycling

cerned Upper East Side.

# contracts mission

**US** seals

headed by Mr Ron Brown, the commerce secretary, signed con-tracts yesterday for almost \$200m in power, telecommunications and computer equipment in what US officials say will be part of \$3bn in new deals announced this

week.
Mr Brown, who has led similar

projects in the pipeline, we intend to compete in this market and we intend to win," Mr Brown said in a breakfast speech to the American Chamber of Commerce

During the second day of his week-long visit to China and Hong Kong, Mr Brown raised trade and economic issues with Mr Li Peng, the prime minister, setting the tone for future rela-

In a briefing for reporters, the

Under a contract valued at

\$140m and financed primarily with government loans, Westinghouse will provide two 350MW steam-turbine generators and related equipment for a power plant in Jiangsu province, in eastern China.

partner Zhongyu, a postal code and information company, established under the government's

# By Our Beijing Correspondent

trade campaigns in Latin America and Africa, said his delegation was vying for more than auto-assembly and airport construction projects in China over the next few years. The entourage accompanying him includes 24 executives from leading US

tions between the two countries, a senior US official said.

aggressive" in matching concessionary financing to compete with Germany, France and Japan for the booming Chinese market.

Apart from the corporate executives, the delegation includes

officials from the US Export-Import Bank, senior trade officials and the US executive director from the Asian Development Bank. Mr Brown had suggested the mission would herald a "new era in US-China relations".

In a third contract, International Business Machines agreed to sell \$20m in software and hardware for automated teller machines, electronic data information and global information infrastructure.

ments or how they were received.

#### City authorities oppose 25% target set for 1995 ing, has challenged a State household rubbish, is only Supreme Court order for it to slightly below the programme's

Look over there – another violation," shouts sanitation police officer Julius Ingram, wheeling his blue and white New York City police car into a U-turn. "Liquor bottles and loose boxes," he pronounces with sat-

That is the least of it. The pavement of this narrow road off West 211th Street, high up in Manhattan's desolate northern tip, is covered with metal shards and rotting fruit as well as discarded bottles. We are cruising the back streets of Washington Heights and Inwood on dawn patrol to enforce the city's tough and increasingly controversial laws on recycling rubbish.

Residents are now mounting a campaign against the vigilence of the city's garbage police. Meanwhile, the city, worried about the rising costs of recycl-

only 55 per cent of the crop had

been harvested at a time when

normally nearly all the area's

grain and vegetables had been

Mr Viktor Chernomyrdin, the

prime minister, threw down the

gauntlet at the weekend when he

warned farmers in central Russia

that the state would not pay

more than world prices for grain

Continued from Page 1

double present recycling levels. Leaflets in English, Spanish and Chinese tell residents to tie all cardboard and paper into

bundles with string, and to put metal cans, glass and plastic into pale blue plastic sacks. It seems a lot to ask of an unruly, largely Spanish speaking district, packed with illegal immigrants from the Dominican Republic and riddled with drug dealing. But officer Ingram is undeterred. The grimy six-storey

apartment block, which bears a sign proclaiming "Centre for International Aliens", bas failed to flatten its boxes correctly. Writing out a pink ticket for a \$25 fine, he sticks it with masking tape to the door.

The recycling programme, in its fifth year, has achieved more success than sceptics expected. cles nearly 10 per cent of its

to sell their grain at these prices,

Mr Chernomyrdin cautioned, the

government "is buried under

more favourable offers from for-

eign grain producers". Here there

after a group of farmers demon-

Moscow battles farmers over grain prices this autumn. If farmers refused what they described as the gov-

> of Russian agriculture Farmers complain that they are caught in a "scissors crisis", like the one which crippled the Russian economy in the 1920s, in which prices for manufactured goods are outstripping agricultural prices, making it impossible statements came just two days for farmers to buy necessary fuel, machinery and agricultural strated in Moscow to protest

# for \$200m

A US trade mission to China,

"With almost a quarter of a trillion dollars in infrastructure

official pledged that the US would become "increasingly

Pitney Bowes signed a US\$20m agreement to sell equipment for modernising and automating China's network of 55,000 post offices. Pitney Bowes equipment will be distributed by its Chinese

postal system.

Mr Brown raised concerns about human rights privately with Chinese leaders, according to a senior US official, who declined to disclose the com-

#### are people who are very keen to set a price considerably above The prime minister's tough

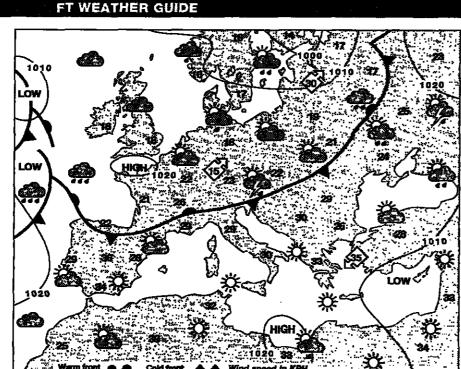
#### Europe today

A depression over the Atlantic will approach north-western Europe causing unsettled conditions. As a result, there will be heavy rain in Ireland and western France. High pressure centred over the Channel will bring mainly dry but cloudy conditions to northern France and

Denmark, southern Scandinavia and most of France will be sunny with some showers. Other parts of Scandinavia will be cloudy with showers due to a depression over Finland. Thunder storms will form over the Alps near a cold front which will extend towards the Ukraine. The Mediterranean countries will be mainly sunny and warm.

#### **Five-day forecast**

For the next few days the high over the Channel will build and move towards Scandinavia, bringing sunny and warm conditions to northern Europe. The Low Countries and northern parts of the British Isles will also have sunny periods. Meanwhile a frontal zone bringing showers will move from western Europe into central Europe. The Alos will have a lot of rain. The Mediterranean countries will be warm and sunny.



30 16 29 21 33 19 30 18 26 17 35 Casacia Chicago Cologne Dallas Dallas Dubai Dublin Dubro We can't change the weather. But we can Lufthansa

3012 25 30 20 20 28 15 22 42 83 32 18 19 25 25 27 12 16 22 Lux.bourg

#### THE LEX COLUMN

# Flotations at issue

The surge in London share prices over the past two weeks has reinforced expectations of a flood of equity issues after the summer hull. Flotations after the summer full. Flotations scheduled for the autumn will be joined by several that were pulled when the market faltered in the late spring. The rights issue flow will also restart, prompting concerns that the market may suffer another bout of indigestion. This looks alarmist. Institutional cash flows are healthy and while the memory of this year's floos will make buyers more wary there is no reason to suppose that solid, well-priced issues will have any trouble.

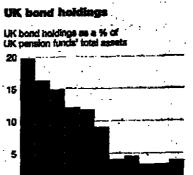
It is the international scene that is more difficult to judge. There is a queue of multi-billion dollar privatisa tion issues in Europe and Asia, including Lufthansa in Germany, Renault or AGF in France, Repsol in Spain, Enel or Stet in Italy, Nordhanken in Swe-den and possibly the Greek telephone company OTE. The flotation of the Indian telecommunications group VSNL may also be revived if it can fight its way through a crowd of other

Unless some are brought forward to take advantage of the current firm markets the programme looks no heavier than earlier in the year. But one of the props for recent issues, the wall of American money, may be weakening. The hedge funds in partic-ular, which had been hig buyers, can no longer be relied on. Governments, eager to balance their budgets by selling off state assets, may have to work harder to attract domestic funds.

#### UK corporate bonds

Among the many and varied finan-cial instruments that the City can offer UK companies there is one glaring omission: corporate bonds. Only the higgest UK companies can issue bonds in the UK and they very rarely try. Instead many turn to the US, where they can tap the publicly-traded markets or go directly to a few institutions with a private placement. The latter is an increasingly popular option for medium-sized British companies which are looking for cheap, long-term, fixed-rate capital. In the US, small growing businesses can also use the bond markets but it is not an option for their counterparts in the UK.

It is not just companies that wish it were otherwise. The lack of a corporate bond market was one of the concerns expressed by Mr Stephen Dorrell, former financial secretary to



the Treasury, in his review of capital markets. This will only change if UK institutions rediscover a taste for corporate bonds. Forty years ago the average pension fund portfolio was invested 40 per cent in gilts and 10 per cent in corporate bonds. Now the comparable figures are less than 10 per cent and next to nothing. The reason is simple: the UK's awful post-war record on inflation are away at the

value of fixed-interest holdings. But with inflation down to 27-year lows, the optimists believe a UK corporate bond market might reappear. It could be helped on its way if the government further reduced the tax advantages of equities, though this would be fiercely resisted by many in the City. Proposed changes to pension fund solvency standards might provide another boost. But these are years away and institutions might still worry about the liquidity of corporate bonds. Index-linked gilts will remain a much safer alternative until it is clear that inflation is tamed. For most fund managers that point is some way off.

#### Building societies

Lloyds bank shareholders, eagerly awaiting next week's interim figures from Cheltenham & Gloucester, should get further pointers from today's Alliance & Leicester numbers. Recent sector results have not been particularly encouraging. Coventry, the 15th largest building society, last week reported a fall in operating prof-its while Bristol & West suffered a dip in income which was barely offset by reduced administrative expenses.

Societies are under intense pressure in both the savings and mortgage markets. After seeing a net outflow of savings in the first half the sector had a better July helped by higher rates on

longer term investments. But competi-tion from unit trusts and Peps remains fierce. On the other side of the business, societies appear to have picked up market share from the banks in July but net new commitments were down on the previous month and even the optimists see only a slow and faltering recovery in mortposney ...

share prob

gage demand.
The resulting squeeze in margins can only accelerate consolidation in the sector. But the pressures are far from unbearable. As margins rosealong with had debts in the recession, it is only to be expected that they should fall in tandem now. With provisions tumbling, return on capital is healthy and societies remain finan-cially strong. C&G, in particular, is prepared for tough markets and. though its deposits are particularly footloose, that is because it has already proved it can compete on price. As for its growth prospects, they are still better than Lloyds', though that is not saying much.

#### Corporate disclosure

A great deal of nonsense has been talked about the new insider dealing rules which came into force on March 1. The changes were introduced in order to comply with a Brussels directive, not to improve the chances of securing convictions for insider dealing. On the contrary, the authorities believe that if anything, they could make it more difficult.

Admittedly, the new rules have a broader scope and in theory appear severely to restrict informal communications between companies and analysts. But, whatever the letter of the law, the authorities have no interest in preventing normal information flows. It is the cosy chats where analysts' forecasts are steered down with a nudge and a wink that they want to stop and these were banned under the old rules.

The scaremongering that accompanied the changes created some alarm and confusion among companies. But the fact that their behaviour seems to have changed little suggests that most were fairly careful about their communications anyway. Most companies believe the new rules make their investor relations more difficult but for those that remain worried about the implications there is one simple rule: when in doubt put an announcement out. Yet companies still seem to be shy of taking the obvious step of issuing quarterly statements.

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around a quarter of its generics sales outside the US. Its principal

overseas operations are in the

UK, where it owns Norton

Healthcare. It has operations in the Czech Republic, Germany

The company has gained a rep-utation for skills in the manufac-

turer of time-release drugs, which are absorbed into the body over a period of time. This tech-

nology gives it an edge over

other generics companies, to some degree protecting its profit



FINANCIAL TIMES

# **COMPANIES & MARKETS**

Tuesday August 30 1994 ©THE FINANCIAL TIMES LIMITED 1994

produce low-cost variants of branded drugs that have come off

patent. A stream of patent expi-

ries of branded drugs, together

with pressure for lower-cost drugs, have made the generic sec-

tor one of the fastest growing in

the pharmaceuticals industry, with the US market put at \$40n-

Together, the two companies will constitute "a powerful force

in a fragmented industry," said

Mr Steven Gerber, an analyst at Oppenheimer in the US. Mylan,

A big OTC dose for



## IN BRIEF

#### **Euro Disney asks** for share probe



Euro Disney, the troubled leisure group, is to ask the Paris stock market authorities to investigate the recent fall in its shares, which yesterday were twice suspended after plunging to a record low. Page 19

Signadia deep in the red

The turnoil in international bond markets had a
dramatic impact on the first-half results of Skandia, the Swedish insurer. The group slumped to a SKr2.40bn (\$322.9m) loss from a SKr1.66bn profit.

> Coca-Cola, Nestié remodel link Coca-Cola and Nestié are streamlining their global co-operation in the ready-to-drink tea and coffee sector. The two groups will dissolve a joint venture created in 1991. Page 18

Digital Equipment's decision to sell its 7.9 per cent stake in Olivetti of Italy at a whacking loss should not have come as much of a surprise. Page 19

MAN suffers earnings drop MAN, the engineering and commercial vehicles group, claimed yesterday to have ridden out the recession, in spite of a 30 per cent drop, to DM160m (\$98.7m), in net earnings. Page 18

The new insider dealing regulations which came into force on March 1 have had little impact on the way companies communicate with the City according to a survey published today. Page 21

Banks change their attitude Debt-for-county swans have always been a last resort for British lenders, representing a fleeting hope of some future pay-back, when the alternative is probably nothing. Page 21

Conflicting influences in Stockholm The Swedish stock market has been getting pleaty of what it likes in recent weeks, as a stream of interim reports from the hig multinationals have more than matched expectations. Unfortunately, there have been equally big doses of what it dislikes: volatile interest rate and currency movements. Page 24

European government bonds pushed further ahead yesterday following Friday's strong rally but trading volumes were small with London markets closed for the UK summer bank holiday. Page 20

21 Lloyd's

MAN

MCI

NCC

20 Zenith Laboratories

Companies in this issue

Anglo United

Amott's

AssiDomār

Crédit Lyonnais

Dicital Equipmen

Eastmen Kodal

Fleming Clave

Market Statistics

SAmual recorts service

Rend fetures and collect

Groupe Bull



growth appetite Leschly became chief executive of SmithKline Bee-

cham, the Anglo-US healthcare

a generic drugs

manufacturer based in Miami,

amounced the purchase of rival drug maker Zenith Laboratories

in an all-stock deal valuing

Zenith at nearly \$600m. The transaction, if completed,

will create what the companies claim will be the world's biggest

maker of generic, or non-branded, pharmaceuticals. The

two had generic drugs sales of

from hyperactivity. In May, he spent \$2.3bn on Diversified Pharmaceutical Services, a US pharmacy benefit manager, to support his North American pharmaceuticals operations; earlier this month he offered to swap his vaccines and animal health businesses for assets from American Cyanamid before it was acquired by American Home Products; and yester-day, he splashed out a further \$2.925bn on Sterling Health, Sterling Winthrop's over the counter (OTC) non-prescription medicines

Mr Leschly, a former Wimble-don quarter-finalist, says all this activity is part of his aim to make SB the world's largest healthcare company. Yesterday's purchase goes some way to achieving that ambition.

The deal, the largest ever OTC acquisition, doubles the size of SB's OTC operations and makes it the world's biggest maker of OTC medicines, entselling Johnson & Johnson of the US. The combined group would have OTC sales of about \$2bn. The move strengthen SB's pres-

ence in the OTC market, worth

about \$30bn a year and growing at a rate of about 6 per cent. The OTC sector is being driven by the desire of drugs groups to extend the product life of their medicines after the patents expire. They believe this can be achieved by switching their drugs to non-prescription status and then marketing them direct to the public. More than half of the US's 50 top-selling drugs are

the next four years. The OTC

cash-strapped governments because it switches the burden of

payment to the patient. In analgesics, the largest seg-Having targeted the OTC mar-ket, Mr Leschly insists the acquisition of Sterling Health makes strategic sense in terms of both products and geography.

"Before this deal we just did not have critical mass. More than \$700m of our \$1bn sales were in just three markets - the US, the UK and Germany. Elsewhere we were just too weak," he says. In contrast only 38 per cent of Sterling Health's activities are in

#### The deal makes SB the world's biggest maker of OTC medicines

the US. The company is the second largest OTC group in Italy and France, fourth in the UK and the market leader in Denmark and Portugal. The group is also the largest manufacturer in Latin. America, where the market should reach \$4.8hn by the end of the decade, according to IMS Global Services, the market research company. Sterling Health is among the top three OTC suppliers in the Asia-Pacific area, excluding Japan.

The combined company would be market leader in Europe with annual sales of more than \$200m and fourth in the US with sales would total more than £300m.

above £600m. The international (rest of the world) business In terms of products, the acquisition gives SB significant positions in the three most important

OTC categories: analgesics, cough and cold remedies, and gastrointestinal products.

Generic drug manufacturers the biggest independent US last year of \$976m, generated

generic drugs company, had sales of \$250m in the year to March. Ivax and Zenith had a pipeline

of products awaiting approval

from the US's Food and Drug Administration, bolstering their

prospects for future growth, said

Mr Gerber. Ivax said the two companies manufacture 63 differ-

ent drugs between them and

Zenith had sales last year of

have applications for 40 more before the FDA.

\$96m and net income of \$18.4m.
Ivax, which had total revenues

Paul Abrahams explains SmithKline Beecham's hyperactivity on the deals front

ment, SB acquires Sterling's Pan-adol. This is sold in 64 countries and generated sales last year of \$250m, making it one of the world's biggest OTC products. SB also gains Bayer Asprin in the

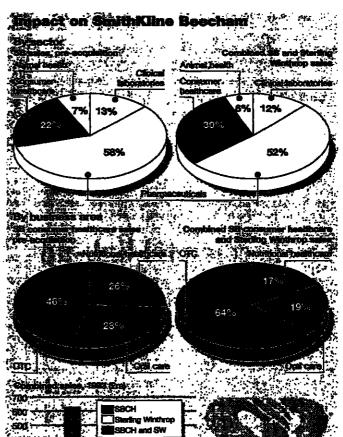
The deal also gives the group a strong position in digestive remedies, the third most important OTC category. SB is in the pro-cess of launching an OTC version of its once top-selling pharmaceutical product, Tagamet. Mr Leschly says this should complement its existing Turns and Eno antacid remedies. Sterling controls the Phillips' Milk of Magne-sia and the Andrews brands.

Mr Leschly denies Tagamet could cannibalise the other digestive products. "Tagamet is a com-pletely different ball of wax from the others," he insists. In the cough and cold market, where SB already has brands such as Contac and Night Nurse, it takes control of Sterling Health's Valda and some smaller products.

Mr Hugh Colhan, SR's finance

director, believes the deal makes not only strategic, but also finansales last year of \$1bn and made operating profits of \$162m. SB gains the business for about three times sales and 18.5 times earnings. That compares with Roche's 1991 acquisition of Nicholas Laboratories at more than four times sales and about 30 times earnings.

However, the deal lumbers SB with substantial debt. Mr Collum says gearing, already at 60 per cent after the acquisition of Diversified, would rise as high as cover would still be about 20



times, he stresses, and gearing should fall to less than 100 per cent by 1996.

To achieve that, Mr Leschly is banking on cashflow, rationalisation and asset sales. "But we will only sell businesses when this is strategically right."

The rationalisation will involve taking costs out of the combined OTC businesses. In addition, Mr Leschly intends to cut costs at the international and European pharmaceuticals operations. Yesterday, he announced a £500m charge, half to be spent this year, half next year. Additional costs could be taken out of the animal health business in 1995, he added Mr Leschly's hyperactivity appears incurable: he is not ruling out further deals. "We are looking for opportunities in the pharmaceuticals industry. We won't be rushed, and we certainly won't buy things at the sort of prices we've seen in recent week's [American Home

Product's \$9.7bn acquisition of

American Cyanamid, but we're

This announcement appears as a matter of record only

definitely in the market."

Bayer brand, Page 18

#### Ivax buys Zenith in generic merger Bull set for speedy return to profits

tive circumstances, generics drugs sell for as little as 10 per

cent of the price of the branded

The purchase of Zenith, which

has been rumoured for some

petition for other independent

Branded drugs companies have

also shown interest in acquisi-tions in the generic area, most recently with Marion Merrell

Dow's purchase of the Rugby-

months, is likely to increase com-

computer manufacturer, will show a profit at the operating level by the end of this financial year and could be profitable at the net level by the middle of

Mr Jean-Marie Descarpentries. appointed chairman of the statecontrolled group 10 months ago, told the Financial Times that the company had improved its performance faster than expected. It was now in a position to plan and implement a growth strategy.

The sale of Groupe Bull, in

which the state has a 73 per cent stake, has been seen as one of the more difficult of the 21 privatisations planned by the French government. The company lost in excess of FF15bn (£1.8bn) over the last three years.

It showed an improvement in its first-half results, cutting a deficit of FF1.72bn to FF848m. Nevertheless, a turnaround at the pace indicated by Mr Descarpentries would be remarkable, and a sharp rejoinder to those who had written off Bull as the least likely to recover of Europe's ailing computer companies.

A rapid return to profitability will encourage potential share-holders, who are following the company's progress but holding back on investment. It should also convince Brussels that Bull's recovery plan is working, and clear the way for approval of a final FF3.1bn of government money to reduce Bull's debts.

It is unlikely that the government's stake in Bull will be reduced to a minority position by the end of the year. It is thought that one of Bull's existing shareholders, the Japanese company NEC, will increase its sharehold ing and that one other large equity partner will be found.

Mr Descarpentries said any new equity partner would have to be a leader in one of Bull's main business areas. He had choice of equity partner and there was no reason why it should not be a foreign company. He said he was seeking industrial partners in Bull's key technologies and the first two would be announced early in Septem-

Mr Descarpentries said the recovery was the result of pressure on costs and new organisational and reporting structures He had rejected conventional turnround methods involving closing businesses and huge redundancies.

# Lloyd's sets sights on extra slice of corporate funds

Lloyd's of London is expecting to raise £125m £250m (\$390m) in capital from corporate investors over the next few months, according to Mr Peter Middleton, chief exec-utive of the insurance market. The extra funds will help offset a decline in capital supplied by Names, the individuals whose assets have traditionally supported the market, but the market's capacity is still likely to fall in 1995. Capacity, the amount of premiums Lloyd's syndicates can accept; is currently about £11bn but could drop next year to £9bn-£95bin said Mr Middleton, giving details for the first time in an interview with the Financial

The new money is likely to be channelled towards so-called "dedicated" insurance funds, which provide capital for syndi-cates exclusively managed by particular agencies. Several agen- are working on schemes using dedicated corporate capital.

Last year corporate investors put some £800m into Lloyds investment vehicles, which spread their investments across a range of syndicates and agencies Mr Middleton also predicted that a large number of Names would limit their liability by joining new schemes which are expected to allow individual Names to form insurance companies. Names would transfer their liabilities to the new entities and he expected "the bulk" of Names

Lloyd's was considering a scheme proposed by Citibank as well as "three or four other very naginative approaches". The new schemes could allow individ-uals to trade on an incorporated basis next year.

The number of Names underwriting as sole traders, without any limit on liability for their

8,000, he predicted. However these initiatives are not expected to help Names who have insufficient resources to continue trading in the market. Mr Middleton said that while Lloyd's was keen to secure pay-ment by Names who could afford to meet their debts, those unable to do so would not be pursued. "We are absolutely not going to knock the doors down of old

they sign us a cheque." Although some £2bn is owed by Names, as much as £15m to £20m a day in payments have been

women and twist their arms until

Earlier this year, Lloyd's announced a loss of about £2bn for the 1991 year of account. Mr Middleton also predicted that corporate investors would commit larger sums as soon as details became available on the formation of NewCo, a new rein-

# TOM COBLIGH ple £29,000,000 Management Buy-in

Transaction led, arranged and en Acquisition Capital Limited

UK Independent pub chain

March 1994

#### WRM Logistics Ltd

European contract distribution £14,000,000 Management Buy-in

Transaction led, arranged and an Acquisition Capital Limited

January 1994

STALVART

£33,000,000 Management Buy-out

Transaction led, arranged and

underwritten by

January 1994

Acquisition Capital Limit

ion and technical research provided by

#### index vian women and children

clothing retail chain Management Buy-out (undisclosed sum)

Transaction co-underwritten by European Acquisition Capital Lis

September 1993

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# FT Gold Mines Index Back Page FT/ISMA but bond ave Liste equity options Back Page London tradi options Back Page

# Banks to make £100m on WPP

By Paul Taylor A syndicate of 28 international banks which acquired convertible preference shares in WPP, the international advertising group, as part of a \$371.6m (£176.3m) debt-for equity swap

two years ago expect to make a profit of around 2100m when the shares are sold, probably later this week. The banks including Barcleys, National Westminster, Midland and JP Morgan will convert 169.5m of the convertible preference shares they held into 190.2m ordinary shares after the

close of business in London

tomorrow and are free to sell the

The placing, representing a 26.5 per cent stake in WPP's enlarged capital, is being organ-ised by a consortium of Bankers Trust International, JP Morgan Securities and SG Warburg Secu-

The sale highlights WPP's remarkable recovery. Earlier this month the company reported pre-tax profits of 236.2m for the first balf, up 50

The bank syndicate agreed to swap the \$271.5m of debt for 238.5m new convertible preference shares in July 1992 when WPP was suffering from the recession industry and struggling to service high borrowings. The preference shares were

originally convertible into ordi-nate shares at a notional price of 60p a share, but the conversion price was lowered to about 45p after WPP held a rights issue at that price in March last year Since then WPP's share price has soared and closed at 1190 on Fri-day compared with a low of 22.5p. The shares are expected to be placed at around 100p.

Under the terms of the debt-for equity swap the banks converted a quarter of their prefer ence shares last September and sold the resulting ordinary shares for around a £16m profit. The final tranche of the bank's 12.2m convertible preference shares is convertible at any time. Banking attitudes, Page 21

Money markets New lett bond legues US interest rates Fixed Interest indices Chief price changes yesterday 375 Parties A St Boheit Palls Dengtis Ugibal TOKYO (Yes)

CISTROL.

Bayer to

control of

**US** brand

By Christopher Parkes

the US, in spite of yesterday's

takeover of Sterling Winthrop,

which owns American rights

to the name and the cross-

subsidiary. Bayer, which had also bid,

said it was still interested in

"parts" of Sterling's over-the-counter business in the US,

and wanted to discuss the

One of the main attractions

is the branded aspirin busi-

ness (the analgesic was

invented by Bayer), which generates sales of \$150m a year in

Mr Manfred Schneider, the

German group's chairman, has

said in the past he would swim

the Atlantic if it could win

him back the rights requisi-tioned and auctioned by the US government along with the

Bayer business during the first

However, signs of a tough

auction emerged earlier this month, when Mr Schneider

said he would pay only a lim-ited premium for the Sterling

operations. "We do not abso-

lutely need the trademark," he

world war.

issue of trademark rights.

pursue

\_ \_ \_ arest - -

# MAN upbeat in spite of 30% drop in earnings

By Christopher Parkes in Frankfurt

MAN, the engineering and commercial vehicles group, claimed yesterday to have ridden out the recession, in spite of a 30 per cent drop, to DM160m (\$98.7m), in net earnings in the year to the end of

The recovery which took hold in the second half was continuing, and profits were expected to rise in the current year, it said.

In keeping with the group line with operating results, the

pany said.

A powerful recovery had set in after a weak first half in which restructuring costs had compounded the effects: of recession. Group sales ended the year down 4 per cent at DM18bn, after being almost 8 per cent lower at the halfway

New orders rose 11 per cent in the review period. MAN attributed this to a 20 per cent surge in foreign demand, which more than offset a 3 per policy of paying dividends in cent fall in domestic bookings. The group reported a 30 per

1993-94 payout is to be cut to cent increase in demand for DM7 from DM8.50, the com- printing machinery during the vear, while orders for machinery and plant rose 17 per cent. Even commercial vehicles showed a 10 per cent improve-

> MAN started the new financial year with 5 per cent more orders on hand than a year earlier, while the workforce was reduced 6 per cent to 57,000 in the same period.

haped trademark. The company said yesterday Job cuts affected all sectors it would seek "clarification" except diesel engines. Commerfrom the new owner, Smithcial vehicles shed 10 per cent of Kline Beecham of the UK. its workforce and the MAN which has agreed to pay Roland printing plant plant Kodak \$2.93bn cash for its Sterling self-medication

## Turnround at Kugelfischer

FAG Kugelfischer, the German ball-bearing group which underwent a rigorous shake-up last year, rolled back to profit in the six months to the end of

Operating income of DM49m (\$30.2m) contrasted with a loss at this level of DM109m last time. Net earnings were DM17m compared with a deficit of DM104m.

The group said yesterday it expected a positive result for the full year, as long as markets did not deteriorate, and for sales to increase on a likefor-like basis.

The return to the black was due largely to reduced interest payments and payroll costs. up for lost two years ago,

Coca-Cola and Nestlé are

streamlining their global

co-operation in the ready-to-

a joint venture created in 1991

to make and sell the products

throughout the world. Instead,

the two will work together to

accelerate their product drive

Ready-to-drink teas and cof-

fees, distributed hot and cold

in vending machines, have

long been popular in Japan,

the only country where Nestle

in more countries.

The two groups will dissolve

drink tea and coffee sector.

By lan Rodger in Zurich

had been reduced to DM1bn compared with DM1.84bn, while reducing the workforce by 40 per cent had cut the wages bill by 34 per cent. Meanwhile, operations also

benefited from the international economic recovery. FAG booked new orders in the review period worth DM1.44bn. an increase of 23 per cent. On July 1 it had orders on hand for almost 4% months' work. Group sales in the first half were up 1 per cent on a compa-

rable basis, at DML32bn. The company has benefited from the international recovery, especially in the automotive and machinery sectors. FAG had almost been given

Coca-Cola, Nestlé remodel link-up

and Coca-Cola compete with

The two groups have decided

each other in these products.

to combine their strengths -

Nestle's coffee and tea brands

and Coke's distribution and

vending machines - to introduce the range to other mar-

Nestlé said vesterday the

ioint venture had so far intro-

duced ready-to-drink teas and

coffees to 25 countries on four

continents. Neither company

has revealed sales figures, but

it is believed the venture has

annual revenues of about

\$150m.

renowned turnround specialist, was appointed chairman of the supervisory board. His job was to oversee a shake-up involving closures, sales and massive lob losses.

From 30,000 at the start of 1993, when he took office, the group workforce had been cut to 15,400 at the end of June. In the interim, Mr Neukirchen has taken charge of the salvage operation at Metallgesell-schaft, the German engineering group that almost collapsed late last year.

As part of his plan, FAG has been split into four joint stock companies with responsibili ties for automotive components, aircraft and precision bearings, trade and services.

Under the new arrangement

Nestlé will concentrate on

Wherever possible, the prod-

Nestlé said the arrangement

would accelerate decision-

making by eliminating an

entire level of management.

ucts' would be distributed

through Coca-Cola bottlers.

developing Nescafé brand

ready-to-drink coffees. "

said then. Win or lose, the company said expansion of its nonprescription medicines remained a priority, especially in the US. It is currently repre-Coke will concentrate on developing the market for ready-tosented there by Miles, based in Pittsburgh, which last year drink teas, and will take out a 100-year licence from Nestlé to had sales of \$6.5bm. According use the Nestea trademark to Fortune magazine, Miles is throughout the world, except the 84th biggest industrial company in the US.

Bayer extended its reach in the US market earlier this year when it paid \$310m for a minority stake in Schein Pharmaceutical, a privately-owned generic drug specialist. Generics - or out-of-patent products represent one of the fastest

growing segments in pharma-ceutical markets.

# Banks spoil media man's appetite

Debts threaten Robert Hersant's paper empire, writes Alice Rawsthorn

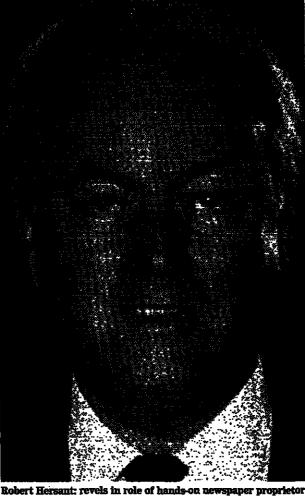
succession of French-A governments has tried and failed to curb the power of Mr Robert Hersant, the secretive media magnate who is the dominant force in Germany's Bayer group is to press on with its bid to regain control of the Bayer brand in the French press. However, Mr Hersant is now under umprecedented pressure to dismantle his empire - not from the government, but from his

Mr Hersant, 74, is more accustomed to buying newspapers than selling them. His appetite for acquisitions has earned him the nickname le papinore, the "paper eater", in France. It has also created one of Europe's largest newspaper groups including Le Figaro, the higgest-selling French national daily; France-Soir, the sensationalist evening paper; a string of regional titles; and significant press interests as far afield as Belgium, Poland, Hungary, Tahiti and Guade-

However *le papivore* is heavily in debt. His main lender is Crédit Lyonnais, the ailing state-controlled bank the fact that it is pressing Mr Hersant to redeem some of his loans, just as it has been pursuing Mr Bernard Tapie, the beleaguered left-wing entrepreneur, to repay his debts. Mr Hersant's refusal to pub

lish accounts makes it impossible to gauge his financial position. Analysts estimate he has total debts of around FFr4bn (\$719.4m). They calculate he is obliged to repay FFr1hn of it by the end of this year, in one tranche of FFr600m in late October and another of FFr400m at the end of December. Given that most of his titles are believed to be in the red, and that Mr Hersant is known to be bitterly opposed to the possibility of bringing in external investors, his only

solution seems to be disposals. The Hersant group has no shortage of candidates for sale. Mr Hersant, the self-made son of a merchant navy officer, has been expanding his empire since he founded his first title, L'Auto-Journal, after the second world war. L'Auto-Journal prospered in the buoyant economic climate of post-war France and, by the late 1950s, Mr Hersant had hit the acquisition trail. A series of deals culminated in the mid-1970s with



Robert Hersant: revels in role of hands-on newspaper proprietor

the takeover of Le Figuro. He owns roughly 35 per cent (in circulation terms) of the French newspaper market and 40 per cent of the Polish press. Mr Hersant even boasted he had a monopoly over the Tahltian national daily press until, earlier this month, a rival was launched to compete against

his two titles. Analysts are wary of pinning precise valuations on the Hersant group. "We have absolutely no idea of its true value," said Mr Jean-Laurent Nabet, media analyst at Société Générale in Paris. "After all, we don't even know the exact

level of sales or debt." However, the consensus in financial circles is that Le Figaro alone is worth around FFr2bn. The French regional titles (which include Le Progrès, the influential Lyon

daily that has a higher circulation than Le Figaro) are thought likely to fetch another FFr2bn. Mr Hersant could also expect to raise between FFr400m and FFr500m from selling his papers in Poland.

his means he could comfortably repay all his debts simply by selling part of his empire. Mr Hersant recently raised FFr204m by selling a bundle of magazines including L'Auto Journal, his first title - to Emap, the UK media group.

There is no shortage of suitors for his remaining interests. Hollinger, the Canadian group headed by Mr Conrad Black, is said to have expressed interest in a number of titles. The UK's Associated Newspapers is mooted as a prospective buyer for the Polish titles. Le Figaro

is rumoured to have attracted a string of potential purchasers including Hollinger, Mr Jimmy Goldsmith, the flamboyant financier, and a French consortium composed of the LVMH luxury goods group, the Alcatel-Alsthom electronics concern and Havas, the powerful media company.

 $=\frac{1}{2}\cdot\frac{1}{2}\cdot\frac{1}{2}\cdot\frac{1}{2}=-\infty.$ 

. .

Moreover, the climate in the French newspaper market is improving, enhancing the prospects for disposals.

France's newspapers have had a tough time over the past two years, as the recession triggered a sharp decline in circulation and advertising. But the economy is recovering and the industry has stabilised. "The worst is definitely over." said Société Générale's Mr Nabet.

However, Mr Hersant shows no sign of being prepared to sell. He revels in his role as a hands-on proprietor in the traditional mould. He does nothing to disguise the imposition of his political views on his papers: Le Figaro has been steered steadily to the right under his ownership.

He has also used his titles as a platform for his political career - in both the French and European parliaments and has long relished playing a power-broker role in French

Mr Hersant's response to the current crisis has been to lighten his gr<del>i</del>p on his empire, rather than relax it. One of the first victims of the credit crunch was Mr Philippe Villin, the high-flying 40-year-old who had been seen as Mr Hersant's heir-apparent until he was fired two months ago as chairman of of France-Soir. The septuagenarian Mr Hersant announced he was personally taking charge.

However, pressure is mounting. The deadline for his FFr600m repayment is only two months away. The Emap deal shows Mr Hersant will make disposals if he has to.

Any future sales, however, are likely to be along similar lines, involving relatively low-profile titles. Even the most optimistic of Le Figaro's suitors have accepted that Mr Hersant will try to cling on to that paper at least until after he has played the power broker again in next spring's presidential elections

# ABN•AMRO Holding N.V.

in Japan.

established in Amsterdam

The Managing Board of ABN AMRO Holding N.V. wishes to announce that it has been decided, with the approval of the Supervisory Board, to distribute an interim dividend for the 1994 financial year of NLG 1.50 per ordinary share of NLG 5 nominal value.

The interim dividend of NLG 1.50 may be taken at the shareholder's option either entirely in cash or NLG 0.30 in cash and a distribution of ordinary shares charged to the share premium reserve in the ratio of one new ordinary share for every 50 ordinary shares held.

The new ordinary shares will rank for the final dividend for the 1994 financial year and the full dividend for ensuing financial years.

Payment in the form of ordinary shares chargeable to the share premium reserve is exempt from Dutch withholding tax and income tax.

As of September 7, 1994, the interim dividend on ordinary shares will be payable at the following addresses:

in The Netherlands:

any office of ABN AMRO Bank N.V.,

in the United Kingdom: National Westminster Bank PLC., (Crawley).

In connection with the above, NLG 0.30 and NLG 1.20, less 25% withholding tax, will become payable in exchange for dividend coupon nos. 18 and 19, respectively.

Shareholders opting for payment in the form of ordinary shares chargeable to the share premium reserve will receive one new ordinary share of NLG 5 nominal value in exchange for every 50 dividend coupons no. 19. The closing date is September 16, 1994. After this date holders of dividend coupons no. 19 can obtain payment in cash only. The new ordinary shares in respect of unexercised stock dividends will be sold.

Holders of CF-certificates will receive the cash dividend, less 25% withholding tax, and their rights to ordinary shares through the institutions where the dividend sheets belonging to their certificates were deposited at the close of business on August 29, 1994.

In respect of the exchange of dividend coupons no. 19, which must be provided with a company stamp on surrender, no commissions will be charged so that said exchange can be made free of charge to the holders.

Persons presenting dividend coupons no. 19 for exchange and requesting delivery of securities at offices other than those stated above may be charged commission.

Holders of registered shares, whose names have been entered in the ordinary share register will be notified individually by the company of the amount of dividend payable to them.

Amsterdam, August 29, 1994

ABN AMRO Holding N.V.





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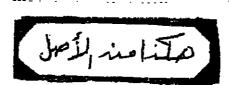
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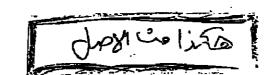
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August, 1994





#### **INTERNATIONAL COMPANIES AND FINANCE**

# Bond market turmoil puts | MCI drops Skandia deep in the red

The turmoil in international bond markets had a dramatic impact on the first-half results of Skandia, the Swedish

The group slumped to a SKr2.40bn (\$322.9m) loss from a SKr1.66bn profit at the management operating level under the impact of unrealised losses on its bond portfolio.

It still recorded a deficit of SKr550m – against a SKr1.16bn profit - even if unrealised changes to bond values are realised capital losses on bond sales, changes in share values

A strong upturn in underlying

performance was yesterday

reported by NCC, Sweden's

second-largest construction

group, even though conditions

in its home market continued

sation, lower financial costs and a better investment perfor-

Headline profit declined to

SKr130m (\$16.9m) in the first

six months from SKr309m, but

both figures were distorted by

one-off gains from share sales.

Excluding these, the group

swung from a SKr170m loss to

Reflecting the continuing

mance for the improvement.

The group relied on reorgani-

to worsen.

and changes in exchange rates for surplus values of assets. The group's operating performance was also affected. Before adjusting the value of its bonds to the lower of cost or market value, profit fell to SKr529m from SKr572m, After adjusting, it swung to an oper-

SKr637m profit. Mr Björn Wolrath, chief executive, said the group was consoled by the improvement in its core insurance operations where profits climbed 31 per cent to

ating loss of SKr435m from a

SK1378m. Reinsurance activities improved their results and there was a strong improve-

SKr7.6bn from SKr8.6bn while

the order intake was

NCC said industry estimate

showed the market would

shrink by a further 13 per cent

this year before making a mod-

est recovery in 1995. New housing starts fell 40 per cent in the

The group expects to remain in the black for the full year after last year's SKr175m

profit. Lower profits from its

three building units are expec-

ted to be offset by a stronger performance from NCC Invest

and reduced losses in NCC

• Euroc, the cement and

building materials group, saw a sharp increase in first-half

profits to SKr258m from

Real Estate.

ket, revenues slipped to SKr95m, after shrugging off a

first half to just 3,300 units.

unchanged at SKr6.7bm.

ment at NIG Skandia, a UK

Premium income climbed 3 per cent to SKr27.3bn, driven by a strong expansion of unitlinked life assurance business. Skandia triggered turmoil in Sweden's financial markets in July when it boycotted new Swedish bond issues in protest at a lack of political will to curb state debt. The boycott remains in force. The group said it had no Swedish bonds

in its portfolio at mid-year. Net asset value per share was SKr150 at the end of June. against SKr179 on January 1 The group's solvency margin improved to 83 per cent from

Underlying improvement at NCC

most important markets. Fin-

The company said synergies from its acquisition of two Finnish companies at the end

of last year increased produc-

tivity, and better market condi-

tions in the US and the UK

contributed to the improve-

It predicted a full-year profit

of at least SKr650m, well ahead

of last year's SKr240m. The

estimate comprises a SKr470m

underlying profit and a further

During the second half, a

SKr460m dividend from the

winding up of the Protorp

investment group will be partly counterbalanced by

SKr280m in writedowns, it

SKr180m in one-off gains.

land and Sweden.

wireless communications net-Comcast, another Nextel shareholder, was also a party

plan to buy

17% stake

Shares of Nextel Commun-

ications, the US wireless com-

munications company, fell

sharply yesterday when MCI

cancelled an agreement to

acquire a 17 per cent stake in

the company.

Nextel has ambitious plans

for a US-wide service combin-

ing mobile voice, data, paging

It was trading at \$24% in mid-session yesterday, down

from Friday's closing price of

In February, MCI agreed to pay \$1.8bn for 17 per cent of Nextel shares. The telephone company was to become Nex-

tel's marketing partner in its

bid to create a nationwide

in Nextel

By Louise Kehoe

to the agreement Yesterday, the companies said they were continuing to explore the possibility of a strategic alliance, but on dif-

erent terms. Since February, when MCI signed a letter of intent with Nextel and Comcast, Nextel's share price has fallen from

Analysts said MCI may have been renegotiating the price it agreed to pay for Nextel shares, which was \$36 a share for an initial tranche and \$38 for additional shares to be purchased over a three-year

Also, since the initial agreement with MCI was signed. Nextel has announced planner acquisitions of OneComm and Dial Page and the purchase of Motorola's specialised mobile radio licenses, mostly for

The issuance of new stock would have diluted MCT's planned stake in Nextel to about 12 per cent. News of MCPs decision to

pull out of the deal with Nextel hit the share prices of One-Comm and Dial Page as analysts speculated that Nextel may reassess its plans to acquire the two companies. However, Nextel said its

## Little reward for a Digital Risc US group's link with Olivetti has come unravelled, writes Alan Cane

igital Equipment's decision to sell its 7.9 per cent stake in Olivetti of Italy at a heavy loss should not have come as much

Apart from the US company's pressing need to restructure its investment portfolio, the shareholding was the last tangible evidence of a strategy which has failed to work for either company.

Digital once the world's second largest computer manufac turer but now losing money heavily, took an initial 4 per cent stake in Olivetti in 1992 as part of a complex deal designed to give Digital a broader market for its products and provide the Italian company with a financial and technical lifeline. It subsequently increased

its holding to 7.9 per cent. Digital first bought 20m Olivetti shares at a premium to the market price in June 1992, and then increased its stake gradually with further market purchases, for a total of \$287.8m.

Digital has not specified the price at which the shares were sold during late July and August, although it has had to write down a large part of the investment. Wall Street analysts estimate that the sale of the stake would have raised between \$140m and \$150m.

Two years on, it is clear that neither objective has come close to being achieved. There were warning signs that the match was far from ideal. Digital paid more than twice

the market price for a share of a troubled company whose hopes of returning to profitability were not bright. Olivetti lost \$297.5m in 1993, and is still

about the broad benefits of a so far met expectations, although Digital says it is technological and commercial beginning to see real growth with some \$1bn worth of Alpha alliance, but the deal was mostly about a single technolsystems sold. ogy - Digital's Alpha microprossor, claimed to be the Alpha technology outsold its world's fastest.

The computer industry is changing dramatically. It is moving from mainframe-based systems to new designs based on networks of personal computers and mid-range ever. Although it introduced machines called "servers", some Alpha-based workstat-

Digital paid more than twice the market price for a share of a company whose hopes of returning to profitability were not bright

which offer better price perfor-

mance The heart of these new client-server networks is a kind of microprocessor, known as reduced instruction set computing (Risc), which is simple and very fast.

All the large manufacturers are trying to establish their Risc microprocessor as the standard. For this they need volume sales and have therefore sought alliances with other manufacturers. Sun Microsystems, a leader

in Risc technology, has openly licensed its Sparc designs and has an alliance in Europe with ICL, the UK-based company owned by Fujitsu of Japan. IBM, Motorola and Apple

Computer are jointly deve ing the PowerPC, and IBM has underlined a sales agreement with Groupe Bull of France by taking an equity stake in the

Digital's stake in Olivetti had the same objective. Sales

ions and servers in June, analysts reckon that it has sold only a few tens of millions of

Last quarter, it said, sales of

older minicomputer technology

and now contribute 39 per cent

of its computer systems reve-

nues. Olivetti has not made

much of a contribution, how-

dollars worth of these systems to date. In Olivetti's defence, analysts say that Digital has failed to establish Alpha as an industry standard, and that it has not become a reference point

in the Risc market. More significant, they point out that Olivetti's chief interest in Alpha was to become the heart of its personal computers. Olivetti is the largest maker of PCs in Europe. Digital, however, has decided to

use Alpha to power its network

servers rather than PCs. Both companies have dragged their feet in the market place. Digital has been slow in delivering essential software while Olivetti discovered that moving its existing customers to Alpha technology would take longer than it had

anticipated. What is left of the alliance? of Alpha technology have not As things stand, Digital will

continue to buy from Olivetti laser printers, where the Italian company has developed first-rate technology. It will also continue to be Digital's principal supplier of laptop computers.

Digital no longer relies on Olivetti for PCs for the European market, although it will continue to buy the Italian machines in small numbers. The two companies have pledged to work together on

PC technology. Digital also points out that Olivetti has launched products based on Alpha technology. although it agrees that sales at an early stage in the product

cycle, are insignificant. Digital has substantial cash inherited from its successful years in the late 1980s. Does it need to raise more money." Probably not in absolute terms, although it still has substantial restructuring charges to meet. But its senior executives have to be seen as put-

Talks with Oracle Systems, a database company, about the sale of Digital's database software. are thought to be close to a conclusion. The sale might raise a further \$100m or so. What effect will the loss of Digital as an equity partner have on Olivetti?

ting their house in order.

It says it is not looking for a single large partner but is prepared to consider several smaller alliances in areas, such as telecommunications and multimedia which it has identified as its best opportunities. The Digital-Olivetti deal is the first of the Risc alliances to come unravelled. It remains to be seen whether the others will

# AssiDomän lifts year's forecast

By Hugh Carnegy

a SKr106m profit.

AssiDomān, the Swedish forestry group partly privatised earlier this year, yesterday raised its forecast for fullyear profits after reporting a 77 per cent rise in pre-tax profits in the first half.

The group, Sweden's fourth largest forestry concern, said profits after financial items rose to SKr809m (\$105.3m) from a pro-forma SKr457m in the same period last year, due to formed before the sell-off by a

to SKr8.16hn from SKr7.38hn and a fall in financial charges

to SKr90m from SKr142m. full-year profit after financial SKr1.8bn. This compares with a forecast made in the February privatisation prospectus of between SKr1.2bn and SKrl.5bn. The company was

Mr Lennart Ahlgren, chief executive, said if production conditions remained stable, the items was expected to reach between SKrl.6bn and

later took over a third majority state-owned concern, NCB.

NCB results were consolidated in the latest figures. A total of 49 per cent the whole new group was sold off, raising SKr7.6bn in Sweden's bigges privatisation.

AssiDomän benefited from higher sale prices for sawn timber and pulp. Its forest and timber products division lifted sales to SKr2.5bn from

SKr2.1hm, and operating profits

to SKr694m from SKr435m.

# Naf Naf agrees to take over Chevignon

Naf Naf, the French textiles group, last night announced it had agreed terms to acquire Chevignon, the leisurewear company, for FFr125m

Negotiations between Naf Naf and Chevignon, two of the best-known brand names in planned deals would go shead. I the French clothing industry,

have been going on for some

Mr Patrick Pariente, one of the two brothers that head Naf Naf, last week confirmed reports of an imminent deal but waited until yesterday's shareholders' meeting to announce the terms of the transaction.

Naf Naf, which emerged as a force in the French textiles industry during the 1970s and 1980s, went public last

The acquisition of Chevignon, which is a force in the jeans market, represents an important opportunity to expand its interests.

Mr Pariente affirmed that

Naf Naf was on course for growth this year with

between FFr135m and FFr155m.

• Far Eastern Textile, one of Taiwan's leading manufacturers of textiles and other related products, posted pre-tax profits of NT\$918m (US\$35m) in the year to June 30, against NT\$621m a year earlier, writes Laura Tyson in Taipei.

Revenues climbed estimated net profits of NT\$11.4bn from NT\$9.8bn.

البنك السعودى العالمي المحدود Saudi International Bank

Saudi International Bank is pleased to announce that with effect from 30 August 1994 its new address and registered office will be:

> One Knightsbridge London SW1X 7XS

Telephone: 0171 259 3456

Fax: 0171 259 6060

Telex: 8812261/2

Cables: Saudibank London SW1

Saudi Arabian Monetary Agency, National Commercial Bank, Riyad Bank, Morgan Guaranty Trust Company of New York, The Bank of Tokyo, Ltd., Banque Nationale de Paris, Doutsche Bank AG, National Westminster Bank PLC, Union Bank of Switzerland

London

#### INVESTOR AB

#### SIX MONTH INTERIM REPORT

INVESTOR GROUP

Investor's net worth amounted to SEK 38,286 m. (Dec. 31, 1993: 37,493 m.), or 192 (206) per share.11 On August 24, its net worth was SEK 39,913 m., or SEK 200 per share.

The value of Investor's portfolio of strategic holdings was SEK 27,516 m. (Dec. 31, 1993: SEK 27,964 m.). On August 24, its value was SEK 28,997 m.

The Investor Group's income before tax amounted to SEK 1,191 m., against SEK 367 m. in the first six months of 1993.

The Group's net debt amounted to SEK 6,880 m. (Dec. 31, 1993: SEK 4,850 m.). The increase is due, among other things, to higher tied-up working capital within Saab-Scania, as a result of favorable growth in its operations, and to a payment against the sale and leaseback agreement on Grand Hôtel's property.

SAAB-SCANIA

Saab-Scania's order bookings rose by 40% during the first half-year. Its sales during the period amounted to SEK 14,466 (11,914) m., an

Saab-Scania's operating income after depreciation amounted to SEK 1,429 (39) m. Income after financial items was SEK 1,200 (-264) m.

Saab-Scania's income during the second half of 1994 is expected to be better than during the first half.

11 Investor's net worth with Saab-Scania at an EBIT value was SEK 55,785 m., or SEK 280 per share.

This is a summary of Investor's six month interim report 1994. The complete report can be obtained from Investor AB, S-103 32 Stockholm, Sweden, telephone +46-8-614 20 00.

# Euro Disney asks watchdog | Sharp climb at Arnott's | Treasuries steady in thin trading at Arnott's | Treasuries steady in thin trading to probe share price slide

Euro Disney, the troubled leisure group, is to ask the Paris stock market authorities to investigate the recent fall in its shares, which yesterday were twice suspended after plunging to a record low.

The group, which recently concluded negotiations with its banks for a FFr13bn (\$2.4bn) financial rescue, saw its shares end the day 11.6 per cent down at FF18.40 having plummeted to FF17.75 during the morning. The shares were also suspended on Friday after a

Euro Disney said that it had requested the Commission des

Opérations de Bourse, the from Euro Disney, which is Paris watchdog, to analyse why its shares had fallen so sharply, given that it had not ed any new information over the past few days.

Analysts attributed the decline in Euro Disney's shares to nervousness about the company's trading prospects and to concern about the implications of recent senior management changes at both Euro Disney and Walt Disney, its US parent

Mr Mike Montgomery, Euro Disney's well-regarded finance director, announced his resignation two weeks ago. His departure aggravated fears of a poor performance

said to have had weak attendance levels this summer in spite of price-cutting and promotional initiatives.

The news of Mr Montgomery's departure was followed by the surprise resignation of Mr Jeffrey Katzenberg, the high-profile head of Walt Disney's film division.

The Disney parent company is still unsettled after the sudden death of Mr Frank Wells its president, and the illness of Mr Michael Eisner, its chairman who recently underwent heart surgery. Walt Disney played a prominent role in Euro Disney's emergency

> Operating profit before abnormals and tax rose by a more modest 5.5 per cent to A\$116.5m, while sales dipped from A\$636.2m to A\$622.5m - largely due to the sale of some non-core busiincluding White Rose Klone Mills and Illawarea

to A\$81m

Arnott's, the Australian food

group now majority-owned by

Campbell Soup of the US, yes-

terday reported a sharp

improvement in profits after

tax and abnormals in the year

The company made A\$81.1m

(US\$60.3m), compared with

for year

in Sydney

Arnott's said revenues from its core Australian biscuit division were marginally ahead of the previous year. but trading profits for the division were affected by a Prices Surveillance Authority review. During the period of the inquiry, companies are precluded from seeking price

Sales in New Zealand were slightly down, and trading profits lower. However, in Panua New Guinea, sales and rading profits -- after adjusting for asset sales – rose "significantily".

Arnott's said its push into isia was "proceeding well". It plans to start distributing products in Korea in the final quarter of 1994, and is target ing Thailand, Indonesia, the Philippines, Vietnam and India "in the longer

It also intends to step up the advertising budget in its home market in the current year, to take advantage of the rise in Australians' discretionary spending, as the economic recovery gains

There is a final dividend of 17 cents a share, taking the full year payout to 32 cents, compared to 29 cents previ-

By Frank McGurty in New York and Graham Bowley in London

US Treasuries improved yesterday morning after the release of favourable economic data, but the modest gains were quickly eroded in quiet

By midday, the benchmark 30-year government bond was ≟ better at 100≟, with the yield slipping to 7.475 per cent. At

the short end, the two-year GOVERNMENT **BONDS** 

4\$47.2m previously. was unchanged at 100 £. However, the advance was to yield 6.183 per cent. Bonds opened on a solid footpartly due to the absence of abnormal charges, which took ing as traders welcomed news A\$32.9m off the result last from the Commerce Department that July personal income had appreciated 0.5 per cent from the previous mouth

> Both figures were in line with expects By offering further evidence of moderate economic growth and low inflationary pres the data helped buttress the growing conviction in the mar-

ket that the Federal Reserve

while personal spending edged

0.2 per cent ahead.

would delay its next move to yesterday following Friday's tighter money until November. strong rally, but trading vol-The dollar, which was firmer against other leading currentimes were small with London markets closed for the UK cies, provided additional supsummer bank holiday. port for bonds.

The early firmer tone to US As a result, the long end of Treasuries benefited European markets, but analysts said that the maturity range took a modfurther gains in Europe would est step forward in the early be limited by concerns about going, building on Friday's moderate gains. However, the fresh supply. improvement proved to be

Yesterday saw auctions of Dutch and Swedish government debt and the launch of four-year paper for the German Tressury. Further auctions in Germany, France and Italy are scheduled for later this week.

Many traders were on holia better tone to the market. day while others were holding said Mr Carl Haeling, head of off on fresh commitments until Deutsche Bank's futures and the release of August employoptions group in Frankfurt. ment data at the end of the But attention this week is week. The report should conon the huge supply across the firm whether the market's conwhole of Europe, which is a fidence in the economy has

> ■ In Germany, the five-year German government bond futures contract on DTB, the Frankfurt futures exchange, continued to significantly out-perform the rest of the market.

1994 and is scheduled for

a listing on the Frankfurt

securities exchange, officials

Elsewhere, the Greek govern-

particular worry for the Ger-

man market and could mean a

reversal of some of last week's

moment," said Mr Hasting, "It has the makings of a fairly serious short squeeze over the next couple of days.

J. Josuff

French government bonds moved higher in line with Germany and the US. Market attention is turning to Thursday's monthly government

bond auction. Mr Edmond Alphandery, the economy minister, said at the weekend that the Treasury would launch its previously announced OAT sales to small investors in October. The scheme aims to raise about After Friday's rally there is Ffriobn a year.

"This is a clear change in the policy of the government and is an important step in updating the French market to international standards to attract foreign investors," said Mr Christophe Servan, bond analyst at Paribas Capital Markets

"After the bond crisis in the first half of this year, every-body could see that retail investors feel more comfortable with holding bonds directly rather than through intermediaries, such as investment funds," he said.

#### **Asian hotels** group signs Vietnam deal

By Nikki Talt

Accor Asia Pacific, the Asian hotels group which is listed in Australia, said yesterday that it had signed an agreement allowing its brands – including Sofitel. Novotel and Mercure to be used in Vietnam.

It has signed a franchise agreement with a 104-room hotel in Ho Chi Minh City, which will now be known as the Hotel Mercure Saigon, and a management agreement for a second property there, to be called the Hotel Sofitel Dalat

The latter property is being refurbished and is scheduled to be fully operational by Decem-

Accor also said that it had signed a technical and management agreement for a 130-room Novotel hotel to be built in Dalat and opened in

 Simsmetal, the acquisitive Australian scrap-metal company with interests in the UK. yesterday reported a profit after tax of A\$46.9m (US\$34.9m) in the year to the end of June, compared with A\$22.9m in the previous 12

Sales were up to A\$742.7m from A\$574.7m, and earnings per share rose to 63.8 cents from 25.6 cents

#### Seafood price rise helps lift Irvin and Johnson

By Mark Suzman in Johannesburg

A rise in international seafood prices and improved domestic retail sales helped irvin and Johnson, the South African food processing company, to increase after-tax income 9 per cent to R62.2m (\$13.7m) from R57.08m for the year ending in

In spite of a 7 per cent fall in sales volumes, due largely to a decline in chicken supplies and a planned reduction in lowvalue seafood production, turnover rose 8 per cent to R1.77hn from R1.65bn. Operating income increased

only 5 per cent to R88.26m from R84.19m, but a 14 per cent drop in tax paid, to R15.9m from R18.6m, helped improve overall results The dividend was unchanged

authorised.

I&J also announced it had

By Ronald van de Krol

co-operative bank, lifted net profit by 11.4 per cent to F1 654m (\$370m) in the first half from F1587m a year earlier, due to strong growth in lending to the corporate sector.

to improve overall internathat new capital expenditure

#### Rabobank up 11% at halfway

Interest income rose by 7.4 per cent to Fl 3.07bn. Rabobank said continuing economic recovery had led to a higher rate of investment by corpo-

rate clients in trade, industry and services. Commission income rose by 12.2 per cent to Fl 553m, with

much of the growth due to

securities business and to

demand for investment funds managed by the Robeco Group. Rabohank's trading on its own account was hit by the sudden increase in interest rates early in 1994. Its results on financial transactions fell into a loss of F119m from a profit of Fl 129m a year earlier.

#### at 83 cents. The company said it was

pressing ahead with an accelerated capital investment project tional competitiveness noting for the year to June was R77.76m and that a further R35.2m had already been

reduced its shareholding in Namibia-based Kuiseb fish products through an issue of new shares to Namibian partners, leaving it with a 49 per

The Republic of Finland enlivened an otherwise quiet

#### INTERNATIONAL **BONDS**

aurobond market yesterday as it continued its financing activities with the launch of a DM1.25bn eight-year floating rate note.

The notes, issued via a consortium of banks, carried an interest rate of & per cent over

the London interbank offered rate (Libor) with an issue price of 99.76, said lead manager Commerzbank.

short-lived as the 30-year issue

soon receded to just above its

The retreat was partly

explained by the thin trading

But the US currency contrib-

uted to the downward drift,

too. The long bond closely

reversed direction at mid-

morning and sagged below

■ European government

bonds pushed further ahead

Finland launches DM1.25bn FRN issue

tracked the dollar as

opening value.

been tustified.

Y100 at midday.

conditions

There was good demand for the new issue, especially from domestic German institutions. the lead managers said. They also reported some interest from smaller continental European banks.

Republic of Finland follows deals earlier in August when it tapped the Canadian dollar and Luxembourg franc sectors. After the last issue, finance

ment announced that it will This latest deal by the issue one-year and three-year dollar-linked bonds at 6.3 per cent and 7.75 per cent annually, and one-year and threeyear fixed rate Ecu-linked

bonds at 7.1 per cent and 8.8 ministry officials said Finland per cent annually.

The bonds will be issued planned to borrow at least \$2bn more in the international tomorrow and their rates will capital markets this year. he fixed and tax-free, the The latest bond will finance ministry said. he value-dated September 16.

The Bank of Yokohama announced that it was planning to launch euroyen subordinated bonds in

Details have yet to be decided, a spokesman said. Subordinated bonds are generally issued to raise capital adequacy ratios, bank officials

# Comalco profits tumble to A\$26m at midway

aluminium producer controlled by CRA, unveiled after-tax profits of A\$26.9m (US\$20m) for the half-year to end-June, sharply reduced from the A\$42.8m in the same period of 1993, writes Nikki Tait.

The figures, calculated on the statutory basis (rather which includes Comalco's equity in the results of consortium companies) contained no abnormal items for 1994, but a A\$11.4m charge the previous

Revenues were A\$1.13bn, compared with A\$1.14bn. The company said gains in a less favourable US\$/A\$ exchange rate, and its smelting business operated at a loss in the first half. "However, at present metal prices this business could return to modest profitability", it added.

Comalco said the metal market remained "fragile" and

LME stocks were still at high levels. "Overhanging the mar-ket is a substantial amount of unused smelting capacity. However, in the important

Japanese and European markets, the economic outlook is brightening and metal consumption is expected to increase," it said.

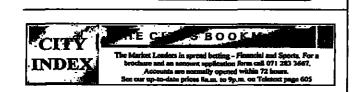


#### The Republic of Panama U.S. \$70.000.000

Floating Rate Serial Notes due 1990 For the period 30th August, 1994 to 28th February, 1995

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 7 per cent. per annum, and that the interest accrued on the outstanding unpaid principal to 28th February, 1995 will be U.S. \$106.17.

The Industrial Bank of Japan, Limited Agent Bank



#### **LEGAL NOTICES**

NOTICE OF ADJOURNED CREDITOR MEETING AMF INTERNATIONAL LIMITED AMF INTERNATIONAL LIMITED

NOTICE IS HIKREBY GIVEN persuant to Section 95 of the Insolvency Act 1986, that the section 95 of the Insolvency Act 1986, that the section of carefulcous I Limited has been afformed and will be held at the offices of Enat 4 Young, Betcht House, I Lambeth Prince Road, London SEI 7EU on Monday IZ September 1994 at 11.00m for the purposes provided for in Section 96.

During the period before the day on which the creditors' meeting is to be held I, William haton Beigh Elles of Enat 4 Young, Wester House, 19 Threefold Lane, Southampson SO14 308, the Liquidstor of AMF International Limitod, will furnish credition, free of charge, with much information, concerning the affairs of the company at they may reasonably copoler.

Dasted the Twenty-Fifth day of August 1994

W J H Elles

Liquidstor

Company Registration Number 1483446 NOTICE IS HEREBY GIVEN, personnt to section 98 of the Innoivency Act 1986, that a MEETING of the CREDITORS of the abovenamed company will be left at Plumbre Cour on 14 September 1994 at 2.50pm for the purpose mentioned in acctions 99 to 101 of the said Acc.

charge between 10:00 am and 5:00pm at: Plantice Court on 12 September 1994 and 13 Suptember 1994,
DATED: 15 August 1994
By order of the Board
E J Cotter
Director

SE PROPERTY CO LIMITED Company Registrative Number 14804446
NOTICE 18 HEREEY GIVEN, pursuant to section 98 of the Insulvency Act 1986, that a section 98 of the CRÉDITORS of the above-ment company will be held at Primatee Court on 14 September 1994 at 4,00pm for the purposes on 14 September 1994 at 4,00pm for the purposes pentioned in sections 99 to 101 of the seid Act. mentioned in sociation with the first Archive for a list of the numer and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plantine Court on 12 September 1994 and 13 September 1994.
DATED: 15 August 1994
By order of the Board

MARLER ESTATES LOUTED MARLER ESTATES LIMITED
Company Registration Number 31443
NOTICE IS RESERVE GIVEN, persuant to
section 98 of the Insolvency Act 1986, that a
MEPTING of the CREDITORS of the showsamed company will be held at: Plunature Court
on 14 September 1994 at 2.00pm for the purposes
unestioned in mections 99 to 101 of the said Act.
A list of the names and addresses of the
company's creditors may be inspected free of
charge between 10:00 am and 5:00pm at:
Plunature Court on 12 September 1994 and 13
September 1994.
DATED 15 August 1994
By order of the Bound
EJ Cotter
Director

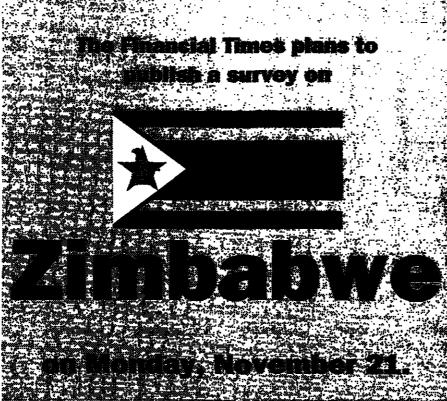
> APUS PEOPERTURS LIBERTED
> Company Registration Number 996774
>
> NOTICE IS HESURERY GIVEN, purposent to
> section 98 of the Intellevery Act 1986, that a
> MERTING of the CREDITIONS of the abovetioned company will be held at: Plauntee Court
> on 14 September 1994 at 3.30pm for the purposes
> mentioned in sections 99 to 101 of the said Act.
> A list of the names and addresses of the
> company's creditors may be inspected from of
> charge between 10:00 an and 5:00pm at:
> Plauntee Court on 12 September 1994 and 13
> September 1994.
>
> DATEP-14 August 1984. DATED: 15 August 1994 By order of the Roard E.J. Cotter Director

Company Registration Number 1768288 NOTICE IS HEREBY GIVEN, purisant I NOTICE IS HEREBY GIVEN, pursuent to section 96 of the Issolvency Act 1995, that a MEETING of the CEROITORS of the above-named company will be held at: Flustice Court on 14 September 1994 at 3.00cm for the purposes mentioned in sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plemtires Court on 12 September 1994 and 13 September 1994.

By order of the Board

El Court

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FT Surveys

6 First Interstate Barcop U.S. \$60,000,000

Floating Rate Yen-Linked Notes due 1996 Sovereign (Forex) Ltd. the six months 26th August, 1994 to 26th February, 24hr Foreign Exchange 1995 the Notes will carry an Margin Trading Facility Compelitive Prices Daily Fax Service Interest rate of 5.5125% per nnum with an interest am of U.S. \$281.75 per U.S. Tal: 071-931 9188 \$10,000 Note, payable on 27th Fee: 071-931 7114 February, 1995. Landon SWTW CRE

Currency or Bond Fax - FREE 2 week trial also daily gold and silver faxes : 2 Anne Whifby Tel: 071-733 7171 a Urd Andon MIR The Use Andon MIR The Use Fax 071-239 2964

ALLIANCE - LEICESTER £200,000,000 Floating Rate Notes dae 2000

interest period 25th August, 1994 to 25th November, 1994, the Notes will carry a rare of interest of 5.65% ants of £142.41 per £10,000 and £1,424.11 per £100,000 Note, payable on 25th Novem-

Bankers Trust Company, London Agent Ba

fiscorporated in the Netherl with limited lightly) £200,000,000 oranteed Floating Rate Notes Due 1996 Por the three months August 26 1994, to Nevember 25, 1994, the

Lloyds

Eurofinance N.V.

Notes will carry an interest rate of 5.625% p.a. with a coupen amount of £70.12, in respect of £5,000 meninal of the Notes and £250.60, in respect of £25,000 pominal of the Notes payable on Noteshare \$5.1004. nominal of the rone November 25, 1994.

Agent: Morgan Guaranty

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INTERIM DIVIDEND 1994 AEGON N.V.

AEGON N.V., The Haque, The Netherlands

The Executive Board, with approval of the Supervisory Board, announced that for the fiscal year 1994 an interim dividend of NLG 1.30 per common share of NLG 2.50 par value, or a - to be determined - fraction of a common share of

AEGON N.V. offers its shareholders the choice of receiving the interim dividend entirely in cash, or entirely in stock to be paid out of the tax-free paid-in surplus,

or if so required, out of the net income of the first half of 1994. The stock fraction will be determined after closing of the Amsterdam Stock Exchange on Thursday, 15 September, 1994. The closing share price of that day will be used to calculate the stock fraction, resulting in a value of the stock dividend which will range between 2% and 5% below the value of the cash

The time schedule is as follows:

26 August 1994 15 September 1994

Start of the period of choice. End of the period of choice. Determination of the final stock fraction.

16-23 September 1994 28 September 1994

Trade in dividend coupons to obtain rounded Peyment of dividend. Holders of common shares are requested to indicate their choice for dividend in shares, through their bank or broker, to N.V. Nederlandsch Administratie- en

choice, through their bank or broker, to the principal paying agent, ABN AMRO if any shareholder, whose shares are held in custody with a bank, should not indicate a preference for cash or stock within the period of choice, the bank will automatically select the stock dividend. Shares which are not held in custody, and for which no preference for cash or stock is indicated, will receive the

Trustkantoer, Herengracht 420, 1017 BZ Amsterdam, The Netherlands. Shareholders who wish to receive a cash dividend are requested to indicate their

Note: the above dividend payment procedure does not apply to holders of

Hallfax Building Society

Collared floating rate

Notice is hereby given that

1994 to 27 February 1995.

interest payable on 27 February 1995 will amount to

**JPMorgan** 

the notes will bear interest of

7% per annum from 25 August

£356.71 per \$10,000 note and \$3,567,12 per \$100,000 note.

\$100,000,000

notes due 2003

The Executive Board

The Hague, 26 August, 1994 50 Mariahoeveplein



BRADFORD

BY PLACETS

OF THEMPS

MAICIAL TO

MEREACHIS

COUNTY

toki p'a ni

RECEIPT NO

200,000,000 Floating rate notes 1996

Notice is hereby given that the notes will bear interest at 5.3375% per canama from 25 May 1994 to 25 August 1994. Interest payable on 25 August 1994 will amount to \$134.53 per \$10,000 note. Agent: Morgan Guaranty

Trust Company **JPMorgan** 

ORE

#### **COMPANY NEWS:** UK

# plans for sales of unit trusts

#### By Alison Smith

trusts - pooled investment funds - are to be required to give customers more information about the investment products and about their fees and charges, under plans to be

A consultation paper on

It should have simpler requirements than for selling long-term life and investment policies - since unit trusts themselves are simpler - but the aim will be to enable customers to make a fair comparison between the different types of financial products available.

this year net retail sales grew from £2bn to £3.9bn.

The similar regime for unit trusts is intended to be mandatory from next July.

The pace at which unit trust companies adopt the new pattern of giving information to customers in advance of that

the new system early, in order not to appear to be less open life insurance products.

of the other changes likely to affect unit trusts next year which will require significant changes to computer systems and to the documents provided

buy units at an "offer" price and sell at a lower "bid" price, to a system of single pricing, which is intended to make unit trusts easier to understand.

# Taking an interest can be the best option Simon Davies detects a change in the banks' attitude to debt-for-equity swaps

ebt-for-equity swaps est rates, have meant that have always been a lenders, representing a fleeting hope of some future pay-back,

when the alternative is probably nothing. However, the recovery of WPP Group, the advertising company, under its debt-relieved structure has enabled its backers to take a £100m profit from their shares, and has reminded banks of the potential benefits of equity participa-

tion in an improving economic

environment

As Mr Richard Lovell, president of the Association of Property Bankers, argues: "The banks' attitude towards debtfor-equity swaps has been that they are more likely to get their money out first in debt than in equity. It's down to a business culture. They don't see themselves as the right people to hold equity."

Bankers claim, however, that this is already changing. Substantial debt-for-equity swaps are being examined for Queen's Moat Hotels, Wembley, Stanhope and Tiphook, for example, and the performance of WPP can only provide encouragement.

There are a number of reasons for the change. The last-ditch alternative, receivership, is an expensive option, and it can damage the value of potentially saleable assets. By comparison, a rising stock market, improving prop-erty valuations and low inter-

many corporate near fatalities have been given the ability to

Mr Derek Sachs, director of specialised lending services at Royal Bank of Scotland, says: "The first thing to do is see if they have a viable business,

The Royal Bank has set up a special unit to handle bad loans, and this has spearheaded a large increase in the number of equity swaps under taken by the bank.

In 1992 it instigated 420 receiverships, but following the introduction of its new bac debt division, this fell to 150 in 1993 and should drop to 100 this year, as it has looks for alternative solutions, such as

Mr Sachs says: "Traditionally, the UK clearing banks have been reluctant to convert debt into equity. We take the view that more and more we are looking at the overall financing of the company."

There are downsides. By imtiating the swap, a bank is generally forced to make balance sheet provisions, since the value of the equity is unlikely to match that of the debt.

As a shareholder, the bank's call upon the assets of the company is substantially reduced, so if the company does not survive, it is unlikely to get anything back.

In addition, the size of the banking syndicates can compli-

#### **Angio United** 1.7.92: Swe £45.9m debt into £143m debt into 459.3m new share: 239.5m convertible at 10p each. itched anothe with an implied £74.9m debt into ersion price of convertible stock. 60p (subsequently converting at 10p rights)

cate negotiations. Many continental European banks have historically been more relaxed about equity, but it has proved difficult for such disparate interest groups to reach agree-

In the case of WPP, the response to the efforts of Mr Martin Sorrel, its chief executive, for a restructuring, was far from unanimous from its 28-member banking syndicate. The Japanese banks were strongly against the debt-forequity package

There have been a number of cases where such scepticism may have been justified. One of last year's larger debt-for-equity swaps, for distressed fuels group Anglo United, has left banks owning half the shares of a shrinking group. The consortium swapped £45.9m of debt into 459.3m new shares at 10p each, when the share price was only 5½p. HSBC, the main lender, was left with a 40 per cent stake. A further £74.9m of debt was

swapped into convertible stock, with a 10p conversion price, and no interest, although the conversion price will be reduced to assume 10 per cent compound interest a year. The pricing of the new shares demonstrated the sever-

ity of Anglo United's corporate ailments in February 1993, and the banks would have made large provisions against their exposure to the company.

The situation has since dete-

riorated. The £120m of restructured debt is worth a fraction of the original loan, as the share price has dropped to 1.34p, giving the entire com-

wholly owned and franchised

convenience stores under the

executive, said the arrange

Mr David Bremner, chief

#### regulations have little pany a market value of £16m. Even in such a case, how impact ever, the banks can still gain some recompense through the notoriously high fees for a

restructuring.

loan facilities.

In the case of Anglo United,

advisers and bankers took £8.9m in fees, while WPP's

restructuring cost the com-

pany £13m. of which £9m went

to the banks for providing new

negative net assets, have been

a prime target for swans, since

property values have been ris-

and the related ability to pay

ing far more rapidly than rents

Dares Estates, UK Land and

Ragian Property Trust were all

kept afloat through swaps

which should deliver some

return to bankers, where liqui-

dation would have probably

One corporate financier claimed the banks had already

been too slow to react to

change. "They want to take

equity now that values have

gone up enormously", he said.

IN BRIEF

CHEMORING has 92.38 per cent of Kembery and the offer is

FISHER (ALBERT) Group has

acquired certain assets of Florida-based Thompson Farm

Fresh Produce for up to \$1.85m

FREEPORT LEISURE: Rights

issue accepted in respect of

43,248 ordinary shares (2.08 per

cent). The balance will be

taken up by sub-underwriters. RADIUS has issued 547,945

ordinary shares as part consid-

eration for Avalon Systems.

The balance of £250,000 is pay-

WAKEBOURNE has acquired

the accounting software and

support business of Computer

Answers Europe for £172,000

brought nothing.

interested."

their minds.

now unconditional

(£1.19m) cash.

able in cash.

By David Wighter

The new insider dealing regulations which came into force on March 1 have had litnies communicate with the City, according to a survey

New dealing

The new rules, and related The decision often comes down to a lack of choice. The advice from the Stock recession left many borrowers Exchange, were seen as threatwith more debt than they ening cherished practices such could ever expect to repay.

Property companies, with as the "brokers' lunch".

However, three quarters of the companies surveyed said they had not changed their lunches and only 14 per cent had altered their approach to analysis' briefings. But half said they had changed their opinion on what constituted important information that

should be communicated through the Stock Exchange. Mr Jonathan Gillen, managing director of Focus Commu nications, which conducted the survey, said: "The Act would appear to have had little or no effect. In reality the virtuous are still self-policing just as before. The perception that it towards shareholder relations

"But two years ago, when they have could have benefited subseems to have been overstantially, they were just not Given the profits achieved by The survey showed that the new rules had created a good deal of confusion among com-WPP's bankers, however, they may be encouraged to change panies. More than three quarters admitted they were vague or unclear as to the implications for analysts' meetings and only half were confident

> conducting a takeover. "There appears to be considerable potential for someone to transgress the rules by mistake," said Mr Gillen.

they knew the implications for

The SE's suggestion that companies issue quarterly trading statements has not proved popular. Only 12 per cent of companies said they would do so with a further 20 per cent considering it. But 25 per cent said they would consider an announcement if bro kers' estimates were out of line with current trading. The sample consisted of the

top 350 UK companies and a further 150 smaller companies with replies received from 177. See Lex

# **Disclosure**

thin trading

Companies which sell unit introduced next year.

The move follows the imposi-

tion of a new regime which requires companies and individuals selling life insurance policies to disclose more about the policies and the incentives paid to those who sell them. This will come into effect in Jamuary.

what information should be included in the disclosure regime for other financial products, including unit trusts, is to be published by the Personal Investment Authority, the new watchdog to protect the private

Unit trusts have been growing in popularity with private

The PIA hopes to have made the detailed rules for unit trust disclosure by the end of the year, so that the new regime can be optional from January when the regime for life com-

date is likely to vary. Some will want to move to

with customers in the sale of unit trusts than in the sale of Others will want to move

The most important likely change is a move away from the current system of dual pricing, under which investors

#### Seaperfect to float with likely £50m value

A company which claims to be one of the world's largest controlled producers of shellfish is hoping to come to the market later this year with an estimated value of about £50m.

**ENERGY** 

Seaperfect plans to raise approximately \$20m through an institutional placing to fund the expansion of its scallop and clam In May, the company raised £3m through a private placing with UK institu-

The company's product has attracted some well-known faces to the board. Mr Andre Bernard, former co-chairman of Eurotunnel, will become a non-executive director next month, and Sir David Orr, ex-chairman of Unilever and Inchcape, is

COMMODITIES PRICES

E HIGH GRADE COPPER (COME)

PRECIOUS METALS

ME GOLD COMEX (100 Troy oz.; \$/troy oz.)

Sett Bay's grice change High low 397.1 +3.8 397.3 381.3 382.9 +3.5 391.0 382.7 391.5 +3.8 394.0 385.7 395.0 +3.8 394.0 385.7 395.0 43.8 394.0 385.7

E PLATRIUM NYMEX (50 Troy oz.; \$/troy oz.)

113.50 +1.70 113.60 112.30

+1.26 114.00 111.50 11.665 +1.25 112.90 112.40 943 +1.30 113.00 113.00 604 +1.35 113.95 111.60 25,083

+1.30 113.30 113.30

422

**BASE METALS** 

112.50

#### non-executive chairman

Seaperfect was founded in 1988 by American-born Mr William Lord-Butcher, who made his fortune in the 1980s with the sale of his direct mail marketing business to a New York investment group. He said shellfish were the perfect follow-on to comput-ers. "We were looking for a species that was ready to be industrialised."

The company farms scallops and clams in the warm water regions of South Carolina, Florida and Chile, which Mr Lord-Butcher argues is an advantage when competing against the Japanese. On average, Seaperfect's Chilean-raised scallops take 15 to 17 months to mature, against three to

The scallops and clams are mostly for export to Europe. Most of the shellfish eaten in Europe is wild produce caught by.

MI CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

#### local fishermen trawling the sea or estu-

However, Mr Lord-Butcher argues that health and safety concerns mean that commercial farming – where the environment is tested on a regular basis and harvesting and processing is strictly controlled - will become increasingly important.

Seaperfect sells its scallops and clams to the catering and retail industry, before harvesting them from the field. They are bred in protected hatcheries

and the larvae nursed until old and big enough to be put out to sea Last year Seaperfect sold 15,000 scallops. or some 203 tonnes, by far its largest busi-

Mr Lard-Butcher is confident the group can more than double sales with the funds from a flotation.

#### Watson & Philip cuts trading link with Circle K Corporation

Watson & Philip, the Dundee-based food distributor and convenience store operator, is ending its long-standing business relationship with the

Circle K Corporation.
Its Watson & Philip Retail operation will, by the end of October, rebrand both its

ment would "enable W&P Retail to operate under a single brand name and redesigned image".

Softs continued

Alldays banner.

#### Fleming Claverhouse net assets edge ahead Claverhouse six months to end-June

Fleming Investment Trust had a net asset value of 195.9p per share at June 30, a modest improvement on 193p a year earlier. Attributable revenue for the

£1.12m, for earnings of 2.71p (2.55p). A second interim dividend of 1.25p maintains the total to date at 2.5p.

amounted to £1.5m, up from

#### USD 210,000,000 SUBORDINATED E ORANGE JUICE NYCE (15,000lbs; cents/lbs FLOATING RATE 91.10 +0.25 91.50 89.70 3,762 1,846 94.85 +1.85 95.50 93.40 8,925 1,616 NOTES DUE 2002

For the period August 30, 1994 to February 27, 1995 the new rate has been fixed at 5,125 % P.A.

Next payment date: February 27, 1995 Coupon Nr. 5 Amount: USD 128.84 for the denomination of USD 5000 USD 2576,74 for the denomination of USD 100000

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# PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 152.35 +0.55 152.50 149.50 1,534 154.25 +1.20 154.90 151.00 4,969 155.15 +1.60 154.90 153.75 489 8,982

382.7 9,082 385.7 95,316 389.0 13,239 8,421

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III UNLEADED GASOLINE 51,85 +1,48 52.50 48.85 11,637 150.10 +1.05 50.80 48.45 24,201 149.25 +0.97 49.80 47.80 15,071 52.50 +0.83 55.80 54.75 53.10 4,039 54.75 53.10 4,039 54.75 54.20 +1.14 54.20 52.95 3,050 7 +22.3 520.0 520.0 1 7 +22.2 545.5 518.0 24,409 1 +22.0 562.0 525.5 55,806 1 +22.1 540.0 540.0 37 1 +22.2 559.0 533.0 7,669

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III MAZZE CBT (5,000 bu min; cents/55ib bushel) -1/4 2196 2186 22,379 7,742 -1/6 221/4 220/4127,218 12,375 -1/4 230/4 223/4 25,133 1,274 -1/4 236/6 236/0 11,295 221 -1/4 241/0 240/2 10,863 278 -1/0 244/2 243/2 859 5 # SOYABEANS CET (5,000bu min; cents/60lb busbet) 571,6 568/0 10,829 2,195 568/0 584/0 74,874 17,990 578/4 573/0 13,736 1,118 566/0 582/4 5,748 856 583/0 590/0 1,983 311 597/4 694/0 7,248 925 119,833 23,829 

GRAINS AND OIL SEEDS

# WHEAT CST (5,000bu mkg cents/60b bushel

68,211 8,198 III COFFEE 'C' CSCE (37,500lbs: cente/lbs SUGAR '11' CSCE (112,000the: cents/fbs) 12.08 +0.10 12.08 11.88 53,737 9,421 12.10 +0.10 12.11 11.95 54,531 4,905 12.05 +0.11 12.05 11.91 10,234 1,151 11.95 +0.10 11.95 11.84 4,365 80 11.83 +0.07 11.83 11.75 1.527 22 11.50 +0.05 -1.8 171.5 170.6 15,648 -1.0 170.1 168.2 12,188 -1.2 171.0 169.7 34,676 -1.9 172.2 171.0 8,175 -0.6 174.4 173.3 8,657 -1.8 176.9 175.0 4,108 70.90 +1.40 71.50 89.80 4,865 205 69.93 +1.93 70.00 68.06 29,675 1,942 71.02 +1.80 71.22 69.40 9,330 63 72.10 +1.90 72.10 70.55 4,544 67 72.70 +1.80 72.87 71.80 3,500 13 70.80 +0.70 70.90 70.00 418 1

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214.40 +3.25 217.90 209.00 21,946 8,318
212.60 +6.00 212.50 212.00 6,901 252
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V.
EDWARD F. DOWNE, JR.
STEVEN A. GREENBERG,
MARTIN REVSON,
DAVID SALAMONE,
FRED R. SULLIVAN,
THOMAS WARDE,
MILTON WENGER, and
BROADSWORD, LTD.,
Delandards
TO: David Salamone

TO: David Salamont clo Thomas E. Engal Engal & McCarney 720 Rith Avenue Naw York, NY 10018 SUBJEMONS IN A CIVIL ACTION

YOU ARE HEREBY SUBMINED and required to file with the Clerk of this Court and serve upon PLANTIFFS ATTORNEY Richard H. Walter, Region U.S. Securities and Excha New York Regional Office ew York, NY 10007

rest tan, NY 1000 With 100 per state of the conclusion which is horself upon you within 20 days after service of the surrosure upon you, exclusive unit day of service, if you half to do no, judgment by debault will be taken against you for the relief demanded in the complete. JAMES M. PARKISON, GLERK Date: June 4, 1992

UNITED STATES DISTRICT COURT Southern District of New York

V.

EOWARD R. DOWNE, JR.

STEVEN A. GREENBERG,
MARTIN PREVSON,
DAVID SALAMONE,
FRED R. SULLIVAN,
THOMAS WARDE,
MS.TON WEINGER, and
BROADSWORD, LTD.,
Defendants

Tot. Broadsword, Ltd.
clo Thomase E. Engel
Engel & McCamey
725 Filin Avenus
New York, NY 10019.
SUMMONS IN A CIVIL ACTION
CASE NUMBER:
92 CIV, 4092 YOU ARE HEREBY SUMMONED and required to file with the Clerk of this

required to the wall the Cae Court and serve upon PLANTIEF'S ATTORNEY Richard H. Walker, Regional A U.S. Securities and Exchange New York Regional Office 75 Park Place 75 Park Place New York, NY 10007 an assess to the cont

an assess to the complaint which is herewan served upon you, within 20 days after service of the ausmone upon you, exclusive of the day of service. If you tall to do as, judgment by default will be taken appliest you for the railed demanded in the complaint.

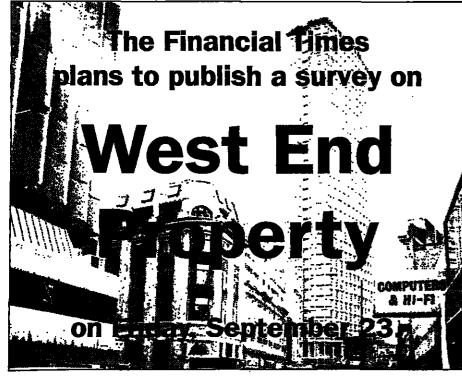
NOTICE OF PENDING LAW SUIT NOTICE OF PENDING LAW SUIT
On June 4, 1992, the United Status
Socurities and Exchange Commission
(SEC) lied a complete in the United Status
District Court for the Southern District of Nature
York against Dead Salamone (Salamoner),
Broadsword, Ltd. (Procedeword), and certain
other pessors (the "Action"), is the Action, the
SEC alleges that Salamone and Broadsword
violated Section 10(b) of the Securities
Exchange Act of 1934, and Rule 100-5 promulgated thereunder, by knowingly and
uniswhally trading ascurities based upon
material, nonpublic information. These transactions occurred during the period from June
1987 Srough May 1939 and involved securities issued by the following companies:
(Sidda, Inc.; Beer Steerrs Companies, Inc.;
Bally Manufacturing Corp.; and Edgeomb
Corp. In the Action, the SEC seeks a judgment against Salamonre and Broadsword in COP. In the Action, the SEC delets a poly-ment against Balancine and Broadword in the amount of \$3,000,349 — the Bick trading profiles received by Broadword — place pre-judgment Interest. The SEC also seeks chall penalises of up to those fines the total profile accelerate by Salancines and Broadword, pur-suant to the Insider Fracing Sanctions Act of 1984 and the Insider Trading Sanctions Act of 1984 and the Insider Trading and Securities Fraud Enforcement Act of 1986.

Fraud Enforcement Act of 1986.

The SEC has been unable to locate Salamone or Broadsword at Beir last known addresses for the purpose of personally serving Salamone and Broadsword with a copyright summone and complaint in the Action. As a resule, the United Salates District Court for the Southern Unstrict of New York has authorized service of the summones and complaint upon Salamone and Broadsword by publication of this notice and the summones.

tion or the nocioe and Branchenord do not serve an armer to the complaint in the Action with-in thirty (30) days after publication of this notice and the summars, the SEC will seek judgment by detail for the full emount sought in the complemer—\$3,000,340 plus pre-judg-ment liberest and peneties.

concerning the current whereboots of David Salamone or Broadsword, Ltd. is requested to contact the U.S. Securities and Exchange Commission at Saven World Trade Center, Suite 1300, New York, New York 10048; Attr. Daniel H. Schnipper, Esq. (212) 748-8194.



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#### FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 26, 1994 . In some cases the rate is nominal. Market rates are the awarege of buying and selling whose they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

76 2701 0 3494 0 3491 1 140.57 1 14394 26 8045 9.4165 1 4891.1 1422.207 0 6404 1878.50 84.561 24.6165 3.4266 81.2639 60878.1 1,7431 0.5402 1,1555 0.8607 7,0184 102.207 2813.79 100.53 38.3313 5.3357 129.654 94792.4 2.7143 0.997 1.7995 1.3402 10.9296 159.151 9.7514 1.5671 980.172 0.8487 2.7143 5.3667 2.7143 5.3367 0.0072 981.006 12360.2 141.547 9.7795 1.3614 962.905 0.6495 237.092 8.1839 5.3505 1 5.7697 984.604 12394.7 141.942 47,1211 1,6420 1,4165 2794,00 3,4506 40,8232 1,00 ±,5550 35340,2 246,00 1,5420 5,6584 (Art)
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charged with designing and implementing BPR initiatives. Presented by leading US titioner and BPR author. Proven to-do-it' implementation guide illustrated with case studies and workshops. Course with case studies and workshops, course book also available. Over 50 organisations in the private & public sectors have already attended. Repeated November 21-22. Contact: Richard Parris, Vertical Systems Tel: +44-455-250266 (24 hours) LONDON AREA

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leaders from six Latin American countries outline the financial and business opportunities in the region, including Brazil, Argentina, Mexico, Peru, Chile and Venezuela. Sponsors: IEA/Atlas. Contact: Melanie Jones at Conference

Tel: 071 236 4938 Fax: 071 236 1889

SEPTEMBER 27 Derivatives Compliance Annual

Dinner & Conference nings Conference Centre, EC2R.

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South Africa

A Cityforum conference featuring Chris Stals, Sir Evelyn de Rothschild, Mr Alec irwin, Robert Guy, Basil Hersov, Gary Maude, M J Levett. Sponsors: South Africa Foundation, Rothschilds/ Smiths New Court, Clifford Chance, Coopers & Lybrand, Old Munui. Information from Cityfort Tel: 0225 466744 Fax: 0225 442903

OCTOBER 3/4/5 City Intensive Seminar

ramme for new recruits to the City. corporate finance, treasurers and financial executives covering structure, markets. regulation and world position of the City. Speakers include Michael Cassidy, Scott Dobbie, Sir Michael Palliser and Colin Sharman. KPMG sponsor. LONDON Information from Cityforum:

Tel: 0225 466744 Fax: 0225 442903 LONDON OCTOBER 3 - NOVEMBER 21

FT-City Course This course is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and Enquiries: Financial Times

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guidance from leading acades A one day briefing from NCC's Legal consultants, as well as insights from the experience of major organ the private and public sector. Contact: Business Intelligence Tel: 081 543 6565 Fax: 081 544 9020 nal booking to Marie Dwyer, NCC

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2nd Annual Conference of the BPR Study Group (200+ members) New (never disclosed before), recently ice of the BPR Study interactive sessions from senic management and practitioners. Livel discussions and demonstrations including speakers from Citibank Internations Speakers from Citibank Internations Nationwide Building Society, Alliance an

Nationwide Building Society, Alliance and Leicester, Capital Home Loans, Pickfords Contact: Steve Towers, Hanson

LONDON OCTOBER 20 Pre-Budget Economic Prospects and Policy

Sixth Annual International State of the Economy Conference with speakers including Sir Alan Walters, Tim Congdon, Andrew Sentance, Roger Bootle, Patrick Minford, Geoffrey Wood, Otmar Issing, Jerry Jordan and Neil Mackingon. sons: IEA. Cost: £160 + VAT Contact: Melanic Jones at Conference Profile Tel: 071 236 4938 Fax: 071 236 1889

LONDON **OCTOBER 26 - 27** BPR 94: Re-engine Process Management and

ope's leading co devoted to exploring how to apply business reaengineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from e sponsor to those involved in plan implementing sealers. Tel: 081 543 6565 Fax: 081 544 9020

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NOVEMBER 7

Banking Conference

Global Convention on Retail Financial Services

Day 1: 13th International Retail

Danking Contenuates
Theme "Strategies for 2001".
Subjects: Banking, insurance, investment
management and consumer financial

services. Morning session: "The Long Term Economics of Resail Banking" Afternoon

Contact: Mouss Couzi, Lafferty Conference

Tel: +353 1 6718022 Fee: +353 1 671359

Global Convention on Retail Financial Services Day 2: 6 Parallel Conferences
- Cards 2000
- Branch Benking

Technology
Retail Financial Services for Lov
Income Markets LONDON Contact: Mouna Couzi, Lafferty Confe

LONDON NOVEMBER 8-9 European Union Aid for Development Conference

projects to the value of 5 billion ECU aminally outlined, including PHAREJOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new monther state companies. suppliers. 200 page EUROAID GUIDE on EU sid programmes included. Contact: Société Générale de

Développement S.A. Tel: +322 512 4636 Pax: +322 512 4653 NOVEMBER 9 Global Convention on Retail

Financial Service Day 3: 6 Parallel Conferences

Contact: Mouna Couzi, Lafferty Confirmed Tel: +353 1 6718022. Pax: +353 1 6713594 LONDON

NOVEMBER 10 Giobal Convention on Retail Financial Services
Day 4: 6 Parallel Conferences Fay 4. O PRIVATION CONTROLOGICAL STANDARD BANKING Direct Financial Services UK Financial Services UK Financial Pleaning Cross-Border Opportunities in Feat Retail Financial Services in Emethological Se

Mact: Morms Couzi, Lafferty Confe Connect: Morana Couzi, Lafferty Continence Tel: +353 1 6718022 Fax: +353 1 6713594 NOVEMBER 11 Global Convention on Retail

Financial Services Day 5: 7 Parallel Conferences
- Cross-Border Opportunities in Suro
Financial Services Contral & Eastern Europ Germany Nordic Europe Benefux

act: Motune Couzi, Lafferty Confer Tel: +353 | 6718022 Face +353 | 6713594 **EXHIBITIONS** 

SEPTEMBER 12 - 18 GCC & Britain '94 Exhibition Over 350 of the Gulf States most roof, all ready to talk business at Olympia 2. 10.00 am - 6.00 pm. Daily.
For tickets/fatermation contact: Arab-British

Tel: 071 235 4363 Fac: 071 245 6688 LONDON OCTOBER 7-9

Computing Show 1994 The UK's only untional exhibition for smallmedium business. The exhibition is npanies represented from industries including, computing, finance, training, banking, franchising, commercial property,

Advance tickets: 081 982 6600 Contact: Julian Pisher, Enterpris es Lui, Tel: (0932) 859960/829920

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INTERNATIONAL SEPTEMBER 5-6

1st Financiai Service Conference for Latin America Them: "Strategies for Buoyant Market". A regionally-focused briefing, presented by a mique panel of internation the trends and issues in financial services banking, delivery & card strategies

Tel: +353 1 6718022 Page +353 1 6713594 BUENOS AIRES **OCTOBER 11-12** 

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res & Options World, U.K. Tel: (071) 827 9977 Fax: (071) 827 5236 SINGAPORE

OCTOBER 19-20 Plain English Campaign's ngton DC Telephone 0663 744409 for details

WASHINGTON NOVEMBER 23-24 Telecom Market Europe

Liberalization, silizares, nationalization in fixed and mobile actworks and sorvices. New entrants. ropean service providers, regulatory work, Speakers include: Peter dilatech (Matssessana), Viestura Vucion (Unisource), Hermann Krämer (VEBA), Michael Grabiner (BT Furope), Jost Wachtlet (US West), Martin Dawes Tel: \_49/211/9686-441

Fax: \_49/2] 1/9686-502 COLOGNE

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#### THE WEEK AHEAD

#### **DIVIDEND & INTEREST PAYMENTS**

TESTERDAY Barciays O'seas Inv. 6% Gtd. Bd. -96 Y60000.0

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TODAY Azian 2p
Benk of Montreal C\$0.30
Canon 4.65% Nts. 97 Y465000.0
Equity Consort Inv. Tat. 13.6375p
Do. Did. 27.075p
Faupel Tracling 3.05p
Fleming Am. Inv. Tat. 0.4p
Gen. Motors Acceptance Can. FRN
Nov. 96 C\$495.82 NOV. 36 CS485.82 Lonrino Fin. 6% Gld. 6d. 104 228.83 Mitsul OSK Lines FRN '97 Y61614.0 NKK 6% Nis. '97 Y600000.0 NKX 1 104% Nis. '96 C\$106.25 Sarryo Elect. FRN '98 Y81615.0 Surnitomo Bik Int. Fin. Gld. FRN Aug. '06 \$2282.08 Do. Aug. '07 \$282.08 3i 1114% Gtd. Bd. '98 £112.50 Throgmorton Tst. 0.9p Toloro Elect. Power 814% Nts. '98 \$437.50

MI TOMORROW
Abtrust New Dawn Inv. Tst. 0.9p
Alfied Colloids 3.72p
Alinatt Lon. Props 10½% 1st Mtg.
Db. 94/99 25.25
Automated Sec. 5% Cv. Pf. 2.5p
Bankers Inv. Tst. 0.97p
Bank Nova Scotia Ritg. Rate Sb. Db.
85 \$210.83
Bank Scotiand Und. Var. rate Nite Bank Scotland Und. Var. rate Nts. \$143.75

Toray Inds. FRN '97 Y63003.0 WMGO 0.5p

\$143.75 Berkeley Grp. 5.1p Caster Alien Gift Inc. Fd. Pt. 20p Chase Manhastian FRN '97 \$124.58 Chemical Bk. FRN '94 £67.74 City of Oxford Inv. Tat. Inc. 1.2p CLM Insurance 1.3p Colleteralised Mtg. Sec. (No.5) FRN Do. (No.7) Class A1 FRN '28 £15.63 Do. Class A2 FRN '28 £144.41 Do. Class A3 FRN '28 £146.93 Do. (No.9) Class A2 FRN '33 £81.09 Do. Class A3 FRN '33 £146.70

Dert Grp. 2.40 Derby Tst. 7.102p Ecclesiastical ins. tical ins. 13% Db. '18 28.50 Excellent 11,5% Pf. 5,75p Germone Bott. Inc. & Gwith. Tst. Geared Inc. 1.82p Gerred No. 1.82p Do: Links 1.82p Gerred Inc. Inv. Tat. 1.5p Gibbon Lyons 7% Cv. PL 3.5p Gisegow Inc. Tat. 0.6p Great Western Fin. \$0.23 Hill-Samuel Fin. FFIN '96 \$268.33 Homer Fin. (No.2) Class A FRIN '30 P128 88 2126.86 Do. Class B FRN '30 2180.22 IFG (R0.3p hory & Sime ISIS Tst. 5.5p Lloyds Bank Prim Cap. FRN (Ser.2) Lioyde Isank Pan Cop. Fran Com., \$122.89 Do. (Ser.3) \$209.58 Lon. & Assoc. Inv. Tst. 0.59p Lon. & St. Lawrence Inv. 5% Cm. Pf. 1.75p Lon. & Strathclyde Tst. 5% Pf. 21.75 Masthead Ins. Underwriting 1.7p Misubishi Bank Fitg. Rate Ptpcn. 2000 \$1245.83 Morgan Granfell Und. Prim. Cap. FRN \$223.61 Nat West Bank Prim. Cap. FRN Nat West Bank Prim. Cap. FRN Ser.C \$121.39 Do. Und. Var. Rate Nts. \$146.31 OLIM Cv. Tet. 4.3p Parklend 4.2% Cm. Pf. 2.1p Prowting 14.5% Cm. Pf. 7.25p REA Hidgs. 8p RPH 45/56 Un. Lrt. 04/08 22.25

Second Mkt. Inv. 21/2% Cv. Un. Lr. '94 21.25

O.75p
Oo. Package Units 8p
Standard Chart. Sb. FFN '96 287.42
State Dev. Institute 10%% Gtd. Bd.
2000 \$525.0

Selyu 714% Cv. Bd. '98 £38.26 Slimma 1.3p Sphere Inv. Tst.inc. & Res. Cap.

Contra-Cyclosi Inv. Tst. Inc. 2.25p Danae Inv. Tst. 4.575p

Temple Bar Inv. Tat. 6% Cv. Ln. 102 3 Gtd. FRN '94 £13.55 Do. Gtd. FRN 98 2137.05 TMC PIMBS Fifth Fin. Nts. No.6 Aug. 28 263.79 Aug. '28 £83.79
Do. Nts. No.1 Aug. '30 £136.47
Do. Seventh Fin. Class A Nts. No.8
Aug. '31 £89.97
Do. Class B No.8 Aug. '31 £150.84
TR City of Lon. Tst. 1.31p
Do. 20% Non-Cm. Pf. 7p
Do. 6% Cm. 1st Pl. £2.10
Do. 6% Non-Cm. 2nd Pf. 2.1p
TR Far East Inc. Tst. 7% Db. '37/ Do. 8% Non-Crn, 2nd Pf. 2.1p TR Fer East Inc. Tst, 7% Db. '97/ 2002 23.50 TSB Nor. Rate Sb. Nts. '03 2144.98 Villers 11% Cv. U/n. Ln. 94/97 5.5p Welfaren 0.6p Welfaren 0.6p Welfa Fergo FRN 2000 \$48.18 Wootwich Bidg, Scty. Sb. FRN '01 53185.34

£3185.34 E THURSDAY SEPTEMBER 1
Aberdeen 10.8% Rd. 41 SS.40
Ahmarson (HF) \$0.22
American Brands \$0.50
American General \$0.29 Asserco S0.10 Assoc Brit. Foods 8.5p Barclaye Bank Non-Cm. \$ Pf. Ser.A \$0.556 Do. Ser.B \$0.5438 Do. Ser.C1 \$0.4219 Do. Ser.D1 \$0.4313
Do. Ser.D2 \$0.1437
Do. D Units \$0.575
Birmingham Mid. Bidg. Scty. 94/96
Perm. Int. Brg. 248.875
Brockhampton 7.5p
Do. A N/Ng. 7.5p
Burnden Inv. 0.750 Do. 9% Un. Ln. 199/2004 24,50 Ragby Gtd. FRN Aug. 197 \$12635.0 Royal Bank Can. Fitg. Rate Db. 2005 Do. A NYTG. 7.5p Burndene Inv. 0.75p Cable & Wireless 5.85p Coventry Bidg. Scty. 121/6% Perm. Int. Brg. 280.825 East Surrey Water 10% Rd. Db. 197/ 99 25.0

Brg. \$2187.50 Do. 12% Perm. Int. Brg. £3000.0 Inco \$0.10 Incersol-Rand \$0.185 Lon. County 21/2% Cons. 90.625 Do. 3% Cons. 50.75 Low & Bonar 6% 1st Cm. Pf. 2.1p Do. 6% 2nd Cm. Pf. 2.1p Do. 55% 3nd Cm. Pf. 1.925p Lucas Inds. 6%% Cm. 1st Pf. 2.275p Met. Water Board 3% B 1934/2003 Pf. 50 £1.50

The state of the s

Mexico 161/2% Ln. 108 £8.25 Nati. Home Loans FRN 195 \$1.48 Oldhem Borough Council 11/4% Rd. 10 25.625 P & O 31/2% Db. 21.75 Do. 81/4% 2nd Db. 21.75 £1.75 Rowe Evans 2o

Rowe Evans 2p Sainsbury (J. 896 Irrd. Un. 1n. £4.0 Schnelders 696 Cm. Pl. 2.1p Slough Ests. Cm. Pl. 4.125p South West Water 17.1p States 0.85p States 0.65p
Themes Inv. FRN '97 \$222.33
Thames Water 15.1p
Transcanada Pipelines 16%% 1st
Mig. Pipe Line Bd. '07 8.25p
Tressury 8%% Ln. '97 \$4,375
Union Carbide \$0.1875
USLIFE \$0.31 Witan Inv. 896 Db. 96/99 £4:0

Do. 614% Exch. Bd. '08 231.25

FRIDAY SEPTEMBER 2 Aberforth Smeller Co's Tet.:2.1p Aberforth Split Level Tet, 2:45p Do. Units 2.45p
Do. C 1.11p
Boeing \$0.25
Ivory & Sime 5.25p
Letimest 10%-11/4% Stoped, Int. 1st
Mg. Db. '12 95.825 Mayor Int. 6.6p Miligate 0.5p Shaw (Arthur) 1.5p

**■ SATURDAY SEPTEMBER 3** Conv. 9% 2000 £4.50

#### **UK COMPANIES**

■ TODAY COMPANY MEETINGS: Abtrust New Dawn Inv. Tst., 99, Charterhouse Street, E.C., 12.30 Coal Inva., 22, Tudor Street, E.C., 10.00 BOARD MEETINGS: Finals: Cuthey Int. Lombard Insurance Verity Interims: Astac (BSR) Beckenham Buckingham Int. Dixon Motors Guinness Peat London Fin. & Inv. Macfariane RJB Mining Stewart & Wight

**TOMORROW** COMPANY MEETINGS: Alphameric, 50, Strattor 11.00 Birmingham, 12.00 Donelon Tyson, Manchester Airport Hilton Hotel, Manchester, 3.30

BOARD MEETINGS: Johnston Press Parteo Provident Fin.

THURSDAY SEPTER
COMPANY MEETINGS: Alba, Harvard House, 14-16, Thames Road, Barking, Essex, 11.00 Carolo Eng., Holiday Irin, Leeds, Carolo Eng., ryunusy nu., succes., 4.00 Clayhithe, Neval & Military Ctub, 94, Piccadilly, W., 12.00 EFM Japan Tet., Donekison House, 97, Haymariest Terrace, Edinburgh, Morris Ashby, 16, Freebournes

Road, Withern, Essex, 2.30

Priem Leteure, Enfield Hotel, 52, Rowantree Road, Enfield, 10.00 BOARD MEETINGS: Countyard Laboure Lynx Printing Tech. Interims:

Reming Claverhouse Inv. Tst. 1.25p Fleming Mercardile Inv. Tst. 1.675p Ford Motor \$0.225 Govett \$0.11 Halffax Bidg, Scty. 894% Perm. Int.

Енгосору 0.6р

Angio Pacific Barr & Wellace Arnold Tst. British-Borneo Petrole Querto Reckitt & Coliman

Victors Waterford Wedg

III FREDAY SEPTEMBER 2 COMPANY MEETINGS: European Motor Hidgs., Bank of America House, 25, Cannon Street, E.C., 12.00 GEC, Grosvenor House, Perk Lane, W., 12.00 Menzies (John), George Hotel, 21. George Street, Edinburgh, 12.15 Victoria Carpet, Green Street, Kidderminster, 3.00 BOARD MEETINGS: Finals:

TR City of London Tat. File indine

Company meetings are annual stings unless otherwise

Please note: Reports and accounts are not normally available until approximately six weeks after the rd meeting to approve the

OUR 91% GROWTH IN EXPORTS CAN BE TRACED TO A SINGLE DROP OF WATER,



#### OR TO A BEAD OF SWEAT.

IT ALL STARTED WITH A DROP OF WATER, WHEN WE PIONEERED THE CONCEPT OF MICRO-IRRIGATION IN INDIA.

BUT OUR VISION EXTENDED BEYOND THE BOUNDARIES OF OUR COUNTRY. TO SOME OF THE TOUGHEST MARKETS IN THE WORLD. BEYOND TODAY. INTO A FUTURE

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ALL THIS CAN BE TRACED TO THAT SMALL DROP OF WATER. OR TO THE HARD WORK AND UNTIRING EFFORTS OF EVERY SINGLE PERSON AT JAIN IRRIGATION.

	Net Sales		£ 19.53Mn	47%
	Export Sales		£ 8.73 <b>M</b> n	91%
1	Operating Profit	•.	£ 5.37Min	86%
	Earnings Per Share		27 p	50%



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Talking about how much one earns is bad form. Once a year, however, we break the code.



**Gross Operating Profit** Pie Tax Profit Book Value Per Share (in Ra.) Europa Per Share (EPS) (in R.) 1681

Rs. 5.888 million to Rs. 20,958 million. Recomm nded bonus of I share for every 1 existing share and dividend of 70.76, up from 50%.

THE MOTAN HOTELS COME TO THE TAI GROUP HOTELS

THE TAI LUXURY HOTELS ARE THE TAI MAHAL HOTEL BONDAY - THE TALMOTAL HOTEL NEW TAJ WEST END. BANGALORE - TAJ COROMANDEL MADRAS - TAJ BENGAL CALGATTA FOR RESERVATIONS CONTACT: ROMBAY 91-22-2023266, NEW DELM! 91-TAXESTATE CAN 91-33-2489939, MADRAS 91-44-8272027, U.S.A. 1-800-1-LUV-TA) TOLL FARE, U.E. GIRG

**TURNOVER GROSS PROFIT** 81% GROWTH IN Rs. 6000 Million OVER OVER INVESTMENT IN EPS (Rs. 10.14) Rs. 5000 Million Rs. 830 Million lespite 21%, times increa PAPER AND CEMENT Up by 89% Up by 80% In Capital **AUDITED FINANCIAL RESULTS** FOR THE YEAR ENDED 31ST MARCH 1994 YEAR EXCED MARCH 31, 1984 PARTICULARS YEAR ENDED INCREASE MARCH 31, 1983 SALES AND OTHER INCOME \* 283LJ NET SALES AND OTHER INCOM **4934.5** 2705.1 TOTAL EXPENDITURE 4101,4 7251.7 PROFIT BEFORE INTEREST AND E33.2 411.4 DEPRECIATION PROFIT BEFORE TAX **32**7.2 127.2 PROVISION FOR TAXATION 20.5 327.2 105.7 PAID-UP EQUITY SKARE CAPITAL 331.4 144.6 2336.5 1037.8 NOTES : 1. Working results for the year 1993-94 include the ope Orisse Synthetics Ltd. merged with the Compar 2. Other Income for the year 1993-94 Rs. 165.4 Million (Previous Yea. Rs. 108.0 Million) Paper capacity to increase from 60,000 to 75,500 tonnes. Coment capacity to increase from 0.6 to 1.5 million tonnes and the unit recently got ISO 9002 Certification. JK Magnetics: Three-fold increase in production in last 4 years. Production at Orissa Synthetics increased from 14505 tonnes to 21628 tonnes in 1993-94. First to get ISO 9002 Certification for its

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INDICES US INDICES Argentina General (29/12/77) CES THE 2077.8 2340.80 3/2 1047.9 1136.19 3/2 CBS All Shr End 83 Austria Credit Aktion(30/12 Traded Index(2/1/8 1122.44 1222.25 <del>Delgius</del> 861.20 (1/1/91) 1479.79 1463.84 1460.22 1542.65 8/2 1383.96 13/7 **Furlagai** BTA (1977) 4257.00 South Africa JSE Gold (28/9) Chile PGA Gari (31/12/80) France SBF 250 (31/12/90) Gennay FAZ /kden(31/12/58 757.51 27/6 2149.30 27/6 2312.30 2271.11 808.67 25.5 8368.44 4/5 1217.63 328.20 185.44 1311.01 2/2 355.19 5/1 169L14 1/7 298.28 21/3 5,697,000 4,892,400 4,137,800 4,137,800 3,578,400 3,578,600 3,559,800 3,464,600 3,365,400 2,201,400 588.85 1071 E CAC-40 STOCK BEDEX FUTURES (MATE Sett Price Change High Est. vol. Open int. Low Japan Makel 225 (16/5/49) Makel 300 (1/10/62) Topix (4/1/68) 2058.0 2068.0 20800.42 20471.49 20443.29 21552.81 136 298.34 297.61 297.28 311.71 136 1640.08 1836.89 1633.77 1712.73 136 2421.31 2413.55 2407.22 2542.66 67 17389.74 4/1 288.22 4/1 1448.97 4/1 1873.38 4/1 2076.0 2084.0 2084.0 +9.00 +8.00 +9.50 24,311 8,018 176 17,352 32,998 8,050 1120.37 1111.78 1138.14 1314.48 5/1 941.23. Base values of all indices are 100 except: Australia All Ordinary SBP250, CAC40, Euro Top-100, ISSO Overall; Teronic Comp. Messis 8 als - 284.3; NYSE AL Common - 50 and Standard and Poor's - 10. §§ r-hours index Aug 29 - 2215,72 +25.14

6% 96% 65% 70 38% 51% 30% 18% 50% † Correction, \* Calculated at 15.00 GMT. © Excluding bonds. ‡ in § The DJ Incl. Inclar theoretical day's highs and lows are the asset stock; whereas the actual day's high and lows supplied by Teleton during the day. (The figures in brackets are previous day's). © Sub-With a Pulse in your pocket you're free to leave the office. Because only Pulse comes with a limit alert facility as standard, which means if \( P \overline{U} \overline{L} S \overline{E} \)

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1994 **High** Low

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41.22 (277/32) 54.99 (1/10/81)

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Keeping an eye out for the markets.

Weighead Price 6953.04; Korea Comp Ex 941.23. Base values of grig Traded, BEL20, HEX Gen., MSB Gen., SBF250, CAC40, Euro

FICE MOICES

25 **CURRENCIES AND MONEY** MONEY MARKET **FUNDS** DOLLAR SPOT **Money Market** Earope
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FIXED INTEREST RATES 2.027 1.054 1.220 0.417 1 0.572 0.952 0.411 0.503 0.854 0.484 1.012 0.483 0.8597 0.798 21,29 11,07 12,81 4,365 10,53 0,434 3,910 10 4,312 5,286 6,188 10,69 5,072 8,943 69,30 8,363 (BF) 100 (DK) 51.90 (FF) 60.17 (DM) 20.59 (EQ) 20.59 (EQ) 40.35 (EQ) 32.51 16.82 8.840 10 3.422 8.198 9.339 3.051 7.804 3.266 4.125 7.001 4.049 8.296 3.968 5.410 6.627 4906 2551 2962 1010 2420 100.7 2304 983.5 1218 2067 1185 2449 1168 1680 15965 1927 5.447 2.832 8.277 1.122 2.687 0.111 1 2.558 1.103 1.357 2.205 1.327 2.719 1.297 1.772 2.139 493.8 256.7 297.1 101.7 243.6 10.07 90.68 231.9 100. 122.6 208.0 120.3 246.5 161.0 180.7 183.9 402.8 209.4 242.4 82.96 189.7 73.96 189.2 81.58 100. 159.7 96.15 201.1 95.94 131.4 131.4 23.74 12.34 14.28 4.899 11.71 0.484 4.268 11.15 4.807 5.783 11.85 5.654 7.740 27.25 8.323 4.105 2.134 2.470 0.845 2.025 0.084 0.754 1.928 0.831 1.079 1.729 1.338 13.38 13.38 13.35 1.512 2.003 1.041 1.206 0.413 0.988 0.041 0.408 0.487 0.488 1 0.477 0.653 6.518 0.787 4.199 2.183 2.527 0.865 2.071 0.085 0.771 1.972 0.850 1.042 1.769 1.028 1.369 1.369 3.067 1.594 1.845 0.632 1.513 0.063 1.440 0.761 1.292 0.747 1.531 0.730 1 Belgizm Denoters France Generally Ireland Rely Notwery Portugal Spain Sweden Sweden Swizeris UK Canada US Belglum week ago France week ago Germany week ago kuly week ago Netherlands week ago Bultzerland 4.50 4.50 4.50 7.50 7.50 5.25 5.25 3.50 4.00 4.00 1.75 1.75 6.75 6.75 4.85 4.85 6.25 6.25 8.45 하-601 2년 3년 2년 3년 2년 5년 Low 0.5270 0.6271 0.6303 Latest 0.6302 0.6306 0.6305 -0.0048 -0.0045 -0.0064 Estvol. 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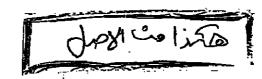
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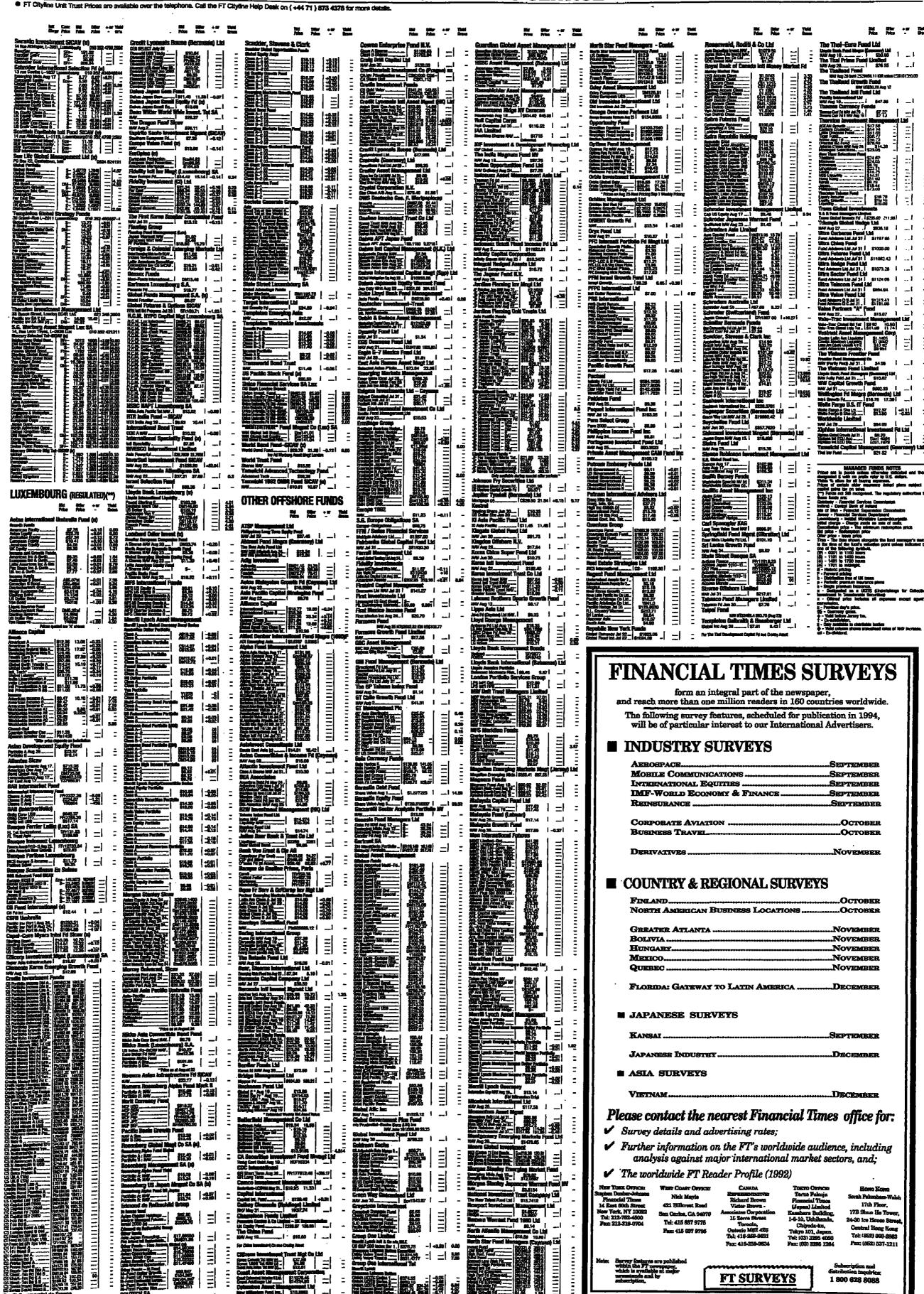
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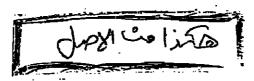
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# Commerce data take Dow up again

**Wall Street** 

US stocks forged ahead yesterday morning as investors ignored a flat bond market and built on last week's powerful rally, unites Frank McGurty in New York

By 1 pm, the Dow Jones Industrial Average was 18.12 stronger at 3,899.17, within reach of its highest closing level since just after the Federal Reserve's shift to tighter credit in early February.

The more broadly based Standard & Poor's 500 was 1.28 firmer at 475.08. Volume on the Big Board was moderate, with 157m shares traded by early afternoon. In the secondary markets, the American SE composite was 0.59 ahead at 450.15 and the Nasdaq composite put on 1.24 at 764.34.

Barly on, modest gains by bonds and a further improvement by the dollar provided a supportive backgrop for stocks. The catalyst was welcome news from the Commerce Department that July personal income had risen 0.5 per cent from the previous month's figtion had edged 0.2 per cent higher. Both figures were consistent with the impression of moderate growth and low inflation.

By mid-morning the dollar began to reverse direction and bonds followed suit amid thin summertime trading conditions. Stocks stumbled briefly, but were driving higher again

Many of the cyclical issues which had led the Dow industrials in a powerful 125-point

terday. Caterpillar gave back \$1 at \$114% and Alcoa appreciated just \$% to \$81%.

But International Paper remained strong, leading a generally buoyant paper and pulp-sector with a gain of \$1% at \$75%. Elsewhere in the group, Stone Container climbed \$1% to \$19% and Georgia Pacific

\$1% to \$28% on favourable press comment about the comnany's growth prospects. Merger and acquisition news figured prominently in the morning's activity. ITT dropped \$3% to \$82% after agreeing to pay a premium price for Viacom's Madison Square Garden businesses. Its partner, Cablevision, slipped

\$% to \$57%, while Viacom was

McDonald's was marked up

further consolidation with the Marion Merrell Dow's announcement that it was exploring a possible sale of the company. Its majority owner. Dow Chemical, jumped \$2% to \$73% on the news, while MMD was marked up \$2 to \$24%.

On the Nasdaq, Nextel Communications tumbled \$5% to \$24% following the expiration of its agreement to form a wireless network with MCI and Comcast.

Canada

Toronto moved higher in mod-erate midday trade, but gains were modest as the market paused after last week's

The TSE-300 composite index added 4.30 points at 4,308.73 in

Of 14 sub-indices, nine climbed. The transportation sector gained 90.97, or 1.9 per cent, at 4,863.12, spurred by rises in Trimac and Laidlaw "B" shares. Trimac put on C\$% at C\$16% while Laidlaw added C\$% at C\$11% in brisk trade. Communications and media advanced 70.88, or 0.8 per cent,

São Paulo was 1.6 per cent lower in light midday trade as an expected high rate of August inflation in the forthcoming IPC-R index continued to take its toll of share prices. The Bovespa index declined 819 to 51,324 in weak volume of

Fiat firmed L60 to L6,611.

per cent, to 1,948.5.

tion measures.

to 179.94.

bank holiday.

**HELSINKI** featured a new

high in metals and mining con-

cern Outokumpu as the Hex index strengthened 34.2, or 1.8

Outokumpu added FM7 at

FM106 on strong demand from

foreign investors, and on pro-

jections of a sharp rise in 1994

profits on higher base metals

prices and internal rationalisa-

TEL AVIV was expecting an

bat inflation. It took a 1.5

percentage points rise in its stride and the Mishtanim index

recovered 5.68, or 3.3 per cent,

• The FT-SE Eurotrack 100

index was unavailable yester-

day because of the English

Written and edited by William

Gold and mining shares came

under pressure in thin trade,

while industrials were under-

pinned by Wall Street and

recent corporate results. The

overall index lost 28 at 5,831,

Cochrane and Michael Morgan

**SOUTH AFRICA** 

se in bank rate to com-

1,462.30, up 3.40 on the day. The central bank's increase in key interest rates earlier this month, the first for nearly two years, gave the stock market its biggest jolt since the country's November 1992 devaluation. In three days, shares plunged by 5 per cent, wiping out the year's entire advance.

The mood remains nervous.

The SKr61bn budget

Mr Mike Young, Merrill Lynch's director of European investment strategy, says the market will remain nervous "at least until we see what kind of initial budget steps are taken" by the new government "The market can only discount probabilities until we see reality," he adds. Among other things, the Social Democrats plan to increase capital

ket has been getting plenty of what it likes in Bond and stock markets recent weeks, as a stream of have decoupled somewhat in recent days, with shares maninterim reports from the big multinationals have more than aging to climb in spite of bond market volatility. This is Unfortunately, there have partly because there is rising optimism about the corporate been equally hig doses of what it dislikes: volatile interest rate outlook and a Swedish entry into the EU. Even so, equities and currency movements, lowremain overshadowed by develered economic growth foreopments in the bond market, casts and a lot of political uncertainty. Given the two not least because rising

long-term interest rates have

2.0 per cent to 2.5 per cent fore-

cast earlier. The gloomier tone

was reinforced last week when

several leading banks indicated

that their 1994 results would be

hit by worries over the state of

In spite of this, shares have

been making headway pre-

cisely because the country's

blue chips, with 80 to 90 per

cent of their sales abroad are

so insulated from the problems

in the domestic economy.

a difficult economic climate at

home if it holds down wage

costs and prices and keeps the

The current results season

has provided plenty of cheer,

with a string of impressive

results from such heavy-

weights as SKF. Ericsson and

Electrolux. Companies still to

report, including Astra, the

high-flying pharmaceuticals

Swedish currency weak.

ideed, they may benefit from

the economy

Conflicting influences

on Stockholm bourse

taxation of dividends.

competing influences, it is not surprising that shares have led to a readjustment of ecostruggled to make headway. nomic growth rate projections. But making headway they are. Progress is modest but The general view now is that Sweden's economy will grow equities are still in positive terby 1.5 per cent to 2.0 per cent this year, rather less than the ritory for the year to date. At yesterday's close, the Affärsvärlden General index stood at

The Swedish stock mar-

matched expectations.

Sweden is entering the run-up to September's general election and a referendum on membership of the European Union in November. The markets are fast becoming reconciled to the prospects of a Social Demowell ahead in the polls, but they are still troubled about the state of the country's

strengthening programme which the Social Democrats announced 10 days ago has brought bond yields down; but there is a widespread feeling that the sums are inadequate, and the market remains

Christopher Brown-Humes charts Swedish equities gains taxes and restore double specialist, and Volvo, are also expected to produce spectacu-Astra, the biggest Swedish lar figures.

company by market capitalisation, has seen a particularly strong rise in its share price over the last few days in a run which has partly been fuelled by takeover speculation.

One sector which is experiencing a particular revival is pulp and paper, where rising prices and operating rates are starting to feed a strong profits recovery. Stora, Europe's biggest pulp and paper group, confirmed this trend last week. increasing profits to SKr1.51bn from SKr30m.

The 25 per cent fall in the value of the krona over the last two years, heavy cost-cutting and the improving economic outlook in the US and Europe provide the platform from which the strong corporate revival is being made.

It explains why Kleinwort Benson in London was expecting Swedish corporates' firsthalf operating profits to improve by 107 per cent and pre-tax profits by 141 per cent even before the interim reporting season got under way. And it explains why the market has its supporters even during the current turbulence.

In the longer term, the market's ability to outperform will still depend on the political arena. Should the next few months produce a "yes" to Europe and a tough budget strengthening package, interest rates should fall on a strengthening krona.

his would provide a solid background for further equity market gains, especially as corporate profits are expected to make further advances next year. A vote against joining Europe, on the other hand, would undoubtedly cast a deep shadow over the market.

This is why a number of analysts remain cautious in the short term but more optimistic over a longer time frame. Mike Young of Merrill Lynch expects the Swedish market to underperform over the next three to six months, but out-

# SBF acts to curb Euro Disney bloodletting

took its toll of bourse volume yesterday morning, but the afternoon saw more action after a lively start on Wall Street, writes Our Markets PARIS ended higher, the

CAC 40 index advancing 12.53 to 2,075.27. But on a thin day, with turnover of FFr2.4bn, any satisfaction professionals might have had was marred by Euro Disney and Danone. The leisure group, suspended limit down on Friday, was

twice suspended yesterday for the same reason as it fell by 10 per cent, and then by a further 5 per cent. Finally, the French Bourses Association, SBF, said it had put a FFr7.75 floor under the shares for the day, and would not execute orders below that price.

Euro Disney was finally FFr1.10. or nearly 12 per cent, lower at FFr8.40 after bottoming out at FFr7.75, depressed by poor prospects and the lack of apparent value in the stock. Danone, the food group, dropped FFr32, or 3.8 per cent, to FFr814. Here, the market liked neither the fall of 8 per cent in first-half profits, nor the nomination of Mr Franck Riboud, son of the Danone chairman, to the board.

Arbitrage and dealer buying

outweighed selling by institu-

tional investors, writes Emiko

Terazono in Tokyo, and the

Nikkei 225 average gained 128.93 at 20,600.42 after a day's

low of 20,518.80 and high of

A rise in the futures market

prompted by the easing of the yen and Friday's rally on Wall

Street triggered arbitrage buy-

ing in the morning. In the

afternoon, the index faced prof-

it-taking by institutional inves-

tors booking profits ahead of

The Topix index of all first

section stocks was finally 4.39

ahead at 1,640.08 and the Nikkei 300 up 0.76 at 298.37. Advances led declines by 592 to

327, with 222 issues unchanged.

ing orders from public funds

were putting a floor under the

market the Nikkei 25 lacked

the support to rise above

of selling orders from corpora-

said Mr Yasuo Ueki at Nikko

Securities. Overseas investors

remained on the buying side,

tions around the 20,700 level."

Traders said that while buv-

the Sentember book closing.

**ASIA PACIFIC** 

Tokyo

FRANKFURT ignored trenchant arguments expressed last week about the expensiveness of its equity market, and continued to attach itself to US stocks and bonds.

There was little real excite ment about a 31.65 rise to 2,193.65 in the Dax index on the session, because volume was inhibited by London's closure and the session's gain little more than consolidated the post-bourse close of 2,190.58 last Friday. However, yester-day's post-bourse took the Ibis indicated Dax up a further 25.14 to 2,215.72 as strength in the dollar continued and bund futures broke through resis-

tance at 92. The afternoon's big winners included both oversold defensive stocks and recently popular cyclicals, Deutsche Bank and Bayernhypo closing the post bourse up DM13.50 at DM431.50 and DM13.50 at DM740.50, and Bayer and Hoechst gaining DM8 and respectively to

DM379.50 and DM369.50. ZURICH moved forward 2.1 ner cent in active trade which saw the return of some private investors on Wall Street and bond markets. The SMI index finished 53.9 higher at 2,635.2, with the firm dollar proving

233m shares to 306m most

investors staying inactive

ahead of the Japan Tobacco

auction results. The auction

for 230 000 JT shares, which

will be listed on October 27.

drew bids between Y1.36m and

Y2.11m per share yesterday.

The government will announce

the public offering price of the

remaining 436,666 shares to be

Brokers were hoping that the

listing of Japan Tobacco and

Japan Telecom will revitalise

the equity market. Telecommu-

nication linked stocks have

been traded actively in recent

days ahead of Japan Telecom's

DDI, the telecom operator listed on the second section,

climbed Y19,000 to Y1.01m, and

Nippon Telegraph and Tele-phone added Y5,000 at

Y885,000. Nippon Comsys, a

telecom engineer, put on Y30 at Y1,590 and Nitsuko, a tele-

phone equipment maker,

High-technology issues were

higher on the firmer dollar.

Sony advanced Y70 to Y5,900

and Victor rose Y50 to Y1,370.

However, Fujitsu eased Y10 to

listing next week.

offered publicly tomorrow.

a further positive factor.

down \$\% to \$38.

Among the banks, hard hit in the weeks since reporting six-month figures. UBS bearers rose SFr34 to SFr1,160. One analyst noted that investors appeared to be switching from SBC to UBS on reconsideration of its results and in response to news that UBS had substantially increased its securities portfolio in the first half of the year. CS Holding firmed SFr15

Roche certificates rose SFr140 to SFr5.985, close to resistance at SF16,000. Ciba registered added SFr22 at SFr821 amid optimism that the group would confirm hopes tomorrow that earnings were

accelerating in its industrial and agricultural sectors. Sandoz, also with half-year results due later in the week, saw its bearers advance SFr22 Oerlikon-Bührle, which

released lower than expected

half-year figures on Saturday, slipped SFr3 to SFr145. Bearer shares in Surveillance dropped SFr35, or 1.7 per cent. to SFr2.085 following news that the chief executive officer had stepped down.

AMSTERDAM took its cue from the stronger dollar and firmer US stocks, and the AEX

In Osaka, the OSE average

firmed 91.49 to 22,926.70 in vol-

Wall Street's performance on

Friday underpinned a solid

showing in some regional mar-

kets. Hong Kong was closed for

TAIPEI moved ahead 1.3 per

cent to a four-year high,

breaching the 7,000-point level in heavy buying of marine and financial issues. The weighted

index was up 87.48 at 7,040.52,

after touching 7,069.86, in active turnover of T\$100bm.

Shipping stocks, which had

lagged behind in previous ral-

lies, were major gainers on

good profits outlooks. Yang

Ming Marine climbed T\$1.90 to

T\$37.50 and Evergreen Marine

SYDNEY finished 1.7 per

cent higher in good volume,

finding additional support in a

strong index futures contract.

The All Ordinaries index rose

from the stronger Australian market, the NZSE-40 Capital

WELLINGTON took its lead

rose T\$3.50 to T\$55.50.

34.7 to 2,111.8.

Roundup

a public holiday.

Taipei rises 1.3 per cent to four-year high

Royal Dutch rose Fl 4.20 to

Fl 199.80, the positive impact of the firm dollar outweighing disappointing oil prices. Among other dollar earners, KLM firmed 50 cents to FI 53.00. Wolters Klower added Fl 2.20 at Fl 119.70, VNU rose Fl 3.20 to Fl 184.90 and Elsevier put on F12.80 at F1172.00. MILAN was encouraged by

signs of progress on the budget

and the Comit index picked up

9.10, or 1.3 per cent, to 694.70. Insurance shares, strong last week, continued to find favour on expectations that their private pension schemes would see an influx of funds from people worried about future the weekend, Mr Giulio Tremonti. the finance minister. also said he wanted to see a 15 per cent tax on private pension

funds scrapped. INA gained L35 at L2,397, while Generali, Italy's largest insurance group, ended L488 higher at L42,386.

Banks, underperformers in recent weeks, regained some ground on hopes that they would also benefit from the spread of private pensions. Credito Italiano rose L60 to L2,270 and BCI L55 to L3,835.

expected to report sharply

higher profits tomorrow, appre-

BOMBAY saw strong

demand over a broad front on

the first day of the account, in specified as well as cash shares, ahead of today's public holiday. The BSE 30-share

index closed 94.9 higher at

SINGAPORE was firmer.

with some buying of blue chips

market ahead of tomorrow's public holiday. Malaysian shares traded over the counter,

which led gains in recent

weeks, trickled downwards in

the afternoon. The Straits Times Industrial index ended

in sluggish trading as blue-chip

utilities rose while the broader

market fared less well and

gaming stocks faltered. The

composite index edged forward

SEOUL finished lower in thin

trading and the composite

index dipped 5.17 to 936.01 in

volume of just 24.54m shares,

well below last week's daily

KUALA LUMPUR was mixed

12.29 stronger at 2.305.80.

8.59 to 1,120.37.

average of 32.4m.

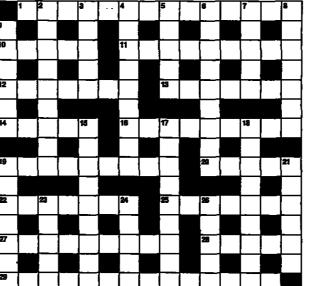
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ciated 9 cents to NZ\$4.07.

#### industrials eased 14 to 6,587

CROSSWORD

No.8,545 Set by GRIFFIN



1 Don't enter site said to go underground (4,3,2,5)

Assorted bales of fur (5) 11 Use PC reprogrammed after supper? That's deliberate! (9) 12 Harsh south wind on East-

bourne front (7) 13 Dealt with handle she'd half

removed (7) 14 He's stolen this skinhead's ing keys (5) 16 Flying doctor takes Mary round hospital (9)

19 Overlooks princess having to carry weight on board (9) 20 First person to leave is

always cut off (5)

22 The cleaner and the continental prince (7)

25 Two points he can possibly 25 Two points add to (7)

27 Allotment in Gateshead helps control food supplies (9)
28 Must take 50% of beer to flat

29 One's business is growing, even during recessions! (6,8)

2 I seem upset about singer's missions (9) 3 Bit one of the men on board

5 Finished last night, it's open

6 Are sent US version of French Admit to old lady I overlooked it (5) When Scottish banker used to

turn in? (7) Question six-footer suspiciously (6)

15 Free one end of bed and let go (9) 17 Courier made jam with green

liquid (9)
18 Notice weathercock label on inside edge (9) 19 Crude MO destroyed decency

(7) 21 Staggered by slippery cus-to bloshing (6) tomer coming in blushing (6) 23 Change in hospital terminol-

ogy (5)
24 Dangle from pole on part of building (5) 26 When the suspect's around,

Solution to Saturday's prize puzzle on Saturday September 10. Solution to yesterday's prize puzzle on Monday September 12.

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of stock	index	%	Index	index	Index	Index	on day	Ylekt	Index	Index	Index	index	Index	High	Low	(Spprox)
Australia (68)	. 178 88	0.1	170.07	112.13	143.60	158.11	-0.1	3.48	176.79	168.83	111.48	142.12	158.21	189.15	139.24	148.31
Austria (17)		0.0	185.40	122,90	157.39	156.90	0.7	1.02	193.92	185.18	122.26	155.88	155.86	195.41	164.64	
Belgium (37)		-0.8	165.19	110.89	142.01	138.85	0.2	3.98	178.27	168.32	111.13	141.69	138.56	176,76	143.62	148.43
Canada (104)		1,4	128 69	B1.85	108.86	132.81	1.2	2.55	131.95	126.01	83.19	106.07	131.24	145.31	120.54	128,12
Denmark (33)		-1,4	246.76	162.70	208.25		-0.6	1,39	260.44	248.70	164.19	209,35	217.11	275.79	220.58	
Finland (24)		-1.0	164.39	108.38	138.80		-0.4	0.77	172.78	164.99	108.92	135.89	183.12	172.78	104.28	112.94
France (97)		0.5	171.25	11291	144,60		1.5	294	177.18	169.19	111.70	142.42	147.27	185.37	159.34	165,98
Germany (58)	146.50	-0.6	140.85	92.87	118.93	118.93	0.4	1.74	147.37	140.73	92.91	118.48	118.46	147.75	123.87	123.67
Hong Kong (56)		8.0	387.31	242.18	310.14	379.06	0,8	3.21	378.90	361.83	238,88	304.59	375.91	506.56	292.08	293,01
Irotard (14)	204.14	-0.5	196.28	129.41	165 73		0,3	3.34	205.13		129.32	164.80		209,33	161.54	169,68
itaty (59)	83.28	-0.8	90.07	52.79	67.61	98.53	0.1	1.58	83.96		52.82	67.48	98.40	97.78	57.88	78.39
Japan (469)	162 89	-0.5	158.61	103.26	132.24		Q,1	0.74	163.64		103.15	131.54	103.16	170.10	124.54	157.23
Malaysia (97)	545.95	-20	524.91	346.09	443.21	535.75	-1.9	1.55	556.90		351.09	447.60	546.07	621.63	385.78	385.78
Mentico (18)	. 2336.56	-14	2248.49	1481.17	1896.82		-0.7	1.55	2388.80			1804.16	8677.55	2647.08	1615.11	1747.05
Netherland (27)	217.02	02	208.65	137.57	176,18		1,2	3.29	216.63		138.57	174.14	171.65	217.02	180.25	181.69
New Zealand (14)	71.95	-03	69.18	45.61	58.41		-0.3	3.77	72.16		45.49	58.01	63.53	77.58	59.22	
Norway (231		-0.6	199.76	131.71	168.66	193.48	0.4	1.71	209.06	199.64	131.80	168.05	192.79	211.74	185.52	172.74
Sengapore (44)		0.4	346.37	238.37	292.46	249.11	0.4	1.70	358.67	342.51	226.12	288.32	248.04	378.92	284.30	
South Africa (59)			291,15	191.96	245.83	300.16	-0.9	2.09	303.23	268.57	191.17	243.73	302.89	305.44	178.93	
Span (42)			137.96	90.98	116.49	141.37	0,9	4.08	143,49	137,02	90.48	115.34	140.12	155.79	128.86	
Serection (38)			214,43	141.36	161.06	253.73	1.6	1.57	221.18	211.22	139.44	177.80	249.80	231.35	175.63	
Switzerland (47)			154.69	102.13	130.78	131.59	1.0	1.85	161.15	153,89	101,59	129.5	130.33	176.56	135.4	
United Kingdom (204)			197.29	130.08	166.59	197.29	0.9	3.85	204,79	195.56	129.11	164.63	195.56	214.96	181.11	
USA (518)			185.89	122.58	156.96	193.34	1.1	2,79	191.15	182.53	120.51	153.6		198.04	178.9	
<u> </u>					4 40 00	158.10		2.94					<del></del>			
EUROPE (718)			168 93		142.69				175.77			141.2		178.58	153.9	
Nordic (116)			209.21	137.94	176.64			1.40	217.84					222.03	173.19	
Pacific Bosin (748)			165 35		139.61			1.06	172.66			138.80		175,86	134.75	
Euro-Pacific (1466)			166.76		140.80			1.87	173.84 187.47		109.60	•===		175.05	143.80	
North America (622)			182.34	120.22	153.90			2.78				150.70		192.73	175.67	7 184,65
Europe Ex. UK (514)			150.27	99.08	129.85			2.39	156.49					158,12	134.9	7 138.52
Pacific Ex. Japan (279)			250.64		211.6			2.79	260.91					296.21	200.1	3 201,88
World Ex. US (1647)	175.04							1.88	175.40					176.37	145,5	8 159.62
World Ex. UK (1961)	177.60							2.02	177.14					176.02	155.9	5 166,19
World Ett. So. Al. (2106)	179.30				145.5			2.20	178.81					179,50	158.5	4 168,14
World Ex. Japan (1696)	191.25	5 0. <u>6</u>	183.88	121.24	155.20	182.45	<u>0.9</u>	2.81	190.10	181,56	119,88	152.6	6 180.88	195.20	174.0	
The World Index (2165)	180.00	3 03	173.12	114.15	146.1	153.17	0.7	2.20	179.50	171,49	113.21	144.3	6 152.18	180.26	158.8	5 189,21